THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

March 29, 1941

"Gestapo-Style" Terrorism is Japan's "New Order" in Shanghai

"Deal" for S.M.C. Posts?

Fiscal Readjustment Seen

BY JOHN AHLERS

Matsuoka Sees Stalin

Chiang's Son Proving Able Leader in Kiangsi Reconstruction

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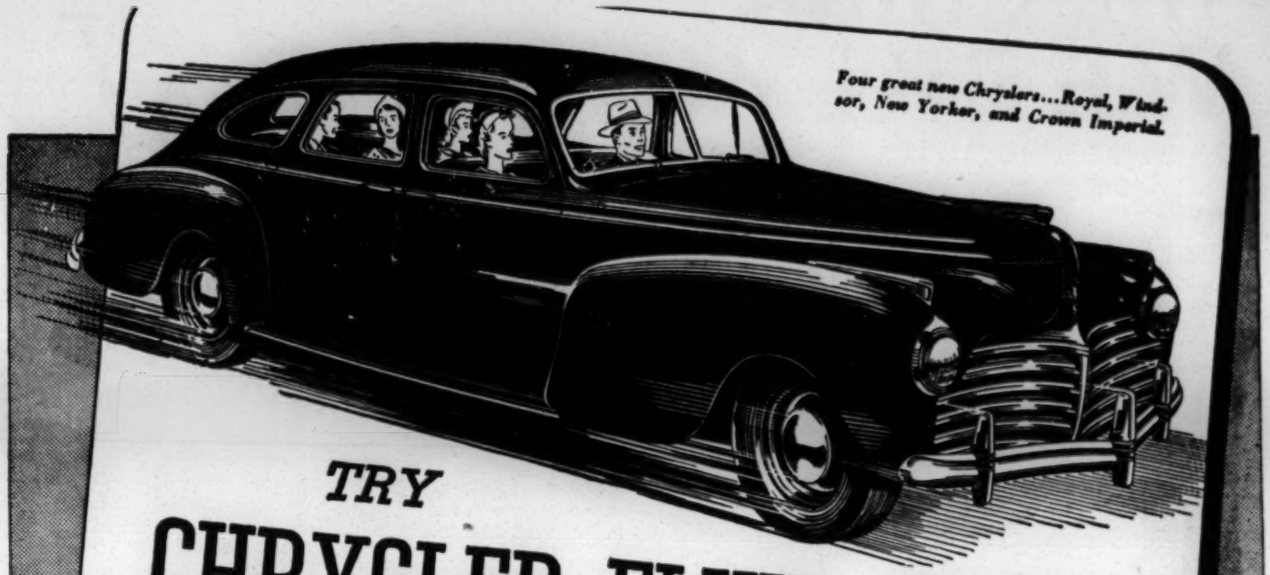

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What People Are Saying

Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of *The China Weekly Review*.

TERRORISM

To the Editor

Since the occupation of the Shanghai outskirts by the Japanese invaders and their "running dogs," headed by Wang Ching-wei, this city which was formerly known as a metropolis of peace and order has now become a place of horror. Murders, kidnapings, strikes and exploitation of the local populace by traitorous merchants have been rampant beyond control. Who is behind the scene is clear to all of us, viewing the fact that prior to the outbreak of the Sino-Japanese hostilities, this city had never been in such deplorable conditions.

Speaking of murders, I should like to point out the fact that to the eyes of the traitors and puppets who are doing all the dirty work for the aggressor, there is nothing but money and power for the sake of which they have even resorted to assassination as a means by which to settle differences with their rivals. We have often heard of terroristic organs set up by the Wang gang known as "76," "75," "82" and "13" (branches of the latter organ are known to all the people in Japanese-occupied areas as headquarters from which agents have been dispatched to kidnap rich men and murder the innocent), from which places deadly claws have been stretched to take away lives of the innocent for the purpose of extortion or those of their rivals in order to seize more power.

Recurrence of strikes among workers of utility services in this city, so far as my information is concerned, is again attributed to activities of the same "quarters."

As regards the exploitation of local populace by traitorous merchants, which leads to the skyward soaring of commodity prices and abnormally high cost of living in this city, I cannot but again condemn those heartless "gangsters" and traitorous puppets for this deplorable consequence. They are making every possible effort to squeeze blood and flesh of their fellow countrymen by speculation and hoarding. A certain "company" was formed at the Western district for this special purpose. It should be also recalled that the rice hoarders have kept their stocks somewhere across the Whangpoo, which the jurisdiction of the Settlement and Concession authorities cannot reach.

In view of all the above-mentioned facts, let me ask who should be responsible for that. On the other hand, we should not forget that Shanghai, as compared with the world, is still a very small place. We can never expect to restore peace and order here unless we who believe in democracy and justice come together and crush the "public enemies No. 1" who invent the so-called "new disorder."

Yours truly,
FAN JIH-TSE

Shanghai, March 25, 1941

URGES UNITY

To the Editor

The following is a sunmary of a circular telegram addressed by the Shanghai Education Union to President Lin Sen, Generalissimo Chiang Kai-shek, Gen. Feng Yu-hsiang, Ministers of the five yuans, the whole body of the councillors of the People's Political Council, leaders of the Communist authorities and fellow-citizens of the nation:

The disbandment of the New Fourth Army took place at a time when Japan was just trying its political intrigue to destroy China, thus deepening the Kuomintang-Communist frictions. The pending unsettlement of the New Fourth Army incident further precipitated the Communist refusal to participate in the People's Political Council. Meanwhile, Mr. Chow Tao-feng, noted salvation leader, also withdrew from the Council as a protest against the arrest of patriotic elements and the suppression of anti-Japanese books and papers. All these might forshadow the split of national unity and please the enemy.

The real happenings of the New Fourth Army incident were camouflaged by the biased news reports at the very beginning until the publication of the Communist telegram which gave an actual account of the incident. We then understood that the New Fourth Army did neither "resist military orders" nor "attack the friendly troops," and contrary to the biased news reports, the New Fourth Army was actually demolished by an armed force comprising more than seven divisions of the Central Army while migrating to North Kiangsu, as ordered. It was known that the incident was not originally intended by the Central authorities, but rather opportuned by few pro-Japanese elements. It is all the more regretful that the Central authorities were still pursuing the wrong course later on, therefore still worsening the Kuomintang-Communist relations, and arousing the Communist refusal to attend the People's Political Council. The only way to solve the present dispute is by open negotiation between the two parties in order to restore their earnest cooperation. But it's rather strange to learn that there were still so many rumormakers who attempted to enlarge the incident, for example, the recent circular telegram addressed by some Shanghai education union propagating the same thing as that of the pro-Japanese elements.

It is also our ardent desire that the Communist authorities, with a view to the present crucial period, will negotiate frankly with the Government, thus smashing the intrigue of the pro-Japanese elements. Furthermore, we hope

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

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that fellow-citizens of the entire nation will wake up unanimously to uphold the righteousness and to struggle for the attainment of national unity and of our final vicory of the resistance campaign.

SHANGHAI EDUCATION UNION OF COLLEGES, MIDDLE SCHOOLS AND PRIMARY SCHOOLS

DEPLORES SPLIT

To the Editor:

I don't know how to express my grievous feeling since the accident of New Fourth Army was disclosed last month. Personally I am merely a Chinese youth with no party background. In view of such a critical period, I won't blame either the Kuomingtang or Communist Party. But being a citizen, I cannot keep my mouth shut at all. Hence I should like to say something about it.

In the first place, we ought to know that the fundamental source of our resistance is based on the co-operation of two big parties, that is, Kuomingtang and Communist Party. It is quite evident that without the other's help, one can hardly hold the resistance any longer. Simply this a matter of fact, for we must realize that the aggressor is one of the most strongest powers in the world. Nevertheless, we still have answered her challenge in the past years. Why have we? It is because we have consolidated ourselves. Owing to the consolidation, we have become stronger day after day, so strong that we can even knock the enemy down with our own effort. But this, however, can only be achieved when we have a real unification. As we know, "Union is strength." So in order to insure our final victory, a further cooperation between the parties must be preserved at any cost.

In the second place, our resistance toward Japan has carried out nearly four years. This, without doubt, is the most precious and priceless harvest. Yet we must realize such a harvest can never be gotten by chance, on the contrary, it is through our brave soldier's flesh and blood.

In the third place, we cannot deny that one of the vital factors to strengthen our resistance is the aid through our friends. Some of them send us munitions, arms and some of them, money or technicians. These are all very important to us. But one thing that must be pointed is out that they have laid great stress on our unification.

In conclusion, I sincerely hope that the cooperation of the Kuomingtang and Communist Party will be kept up, by all means. How can we brothers fight against each other and let our enemy have an axe to grind?

HSU PAO-HSIEN

Hongkong, March 8, 1941.

AMERICAN STOCK AND COMMODITY QUOTATIONS

March 26, 1941

STOCKS

Amer. Locomotive	12⅝
Amer. Waterworks	5¼
Anaconda Copper	24½
Bethlehem Steel	76¾
Chrysler	63¾
Elec. Bond & Sh.	2½
Gen. Motors	42⅝
Goodyear T. & R.	18
Gt. Nthrn. Rly., pfd.	25¼
Lockheed Aircraft	22¾
Mont. Ward	37⅝
N. Y. Central	12⅞
Texas Corp	36¼
U. S. Steel	57⅛

COMMODITIES

New York Cotton, May	10.85/85
New York Rubber, May	22.45B/50A
New York Hides, June	13.68B/72A
Chicago Wheat, May	89⅝/89¾
Chicago Corn, May	66/65⅞
New York Sugar, No. 4, May	0.85B/85½

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Demand Selling rate on N.Y. ... ... U.S.$1.	=Sh.$18.60	=Sh.$18.82	=Sh.$19.28	=Sh.$19.28	=Sh.$19.28	=Sh.$19.05
Demand Buying rate on N.Y. ... ... U.S.$1.	=Sh.$18.18	=Sh.$18.39	=Sh.$18.82	=Sh.$18.82	=Sh.$18.82	=Sh.$18.61
Demand Selling rate on London ... £1-0-0	=Sh.$73.14	=Sh.$73.85	=Sh.$75.29	=Sh.$75.29	=Sh.$75.29	=Sh.$75.29
Demand Buying rate on London ... £1-0-0	=Sh.$71.11	=Sh.$71.77	=Sh.$73.14	=Sh.$73.14	=Sh.$73.14	=Sh.$73.14

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Selling rate during March 21—27, 1941

Shanghai $100. equals Yen	22⅜	22⅜	22¼	22	22¼	22¼
Shanghai $100. equals Guilders	10	10	9⅞	9⅞	9⅞	9⅞
Shanghai $100. equals Rupees	18⅜	18⅛	17⅞	17⅞	17⅞	17⅞
Shanghai $100. equals Pesos	10⅜	10⅜	10⅛	10⅛	10⅛	10⅛
Shanghai $100. equals Hongkong $	22	21⅞	21⅞	21⅛	21⅛	21⅛

THE CHINA WEEKLY REVIEW
密勒氏評論報

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"GESTAPO-STYLE" TERROR IS THE ORDER-OF-THE-DAY HERE

(Contributed by a Chinese Resident)

TERRORISM of a strange, foreign type is the "Order-of-the-Day" in this city as incidents of murder, kidnapping and bombings have occurred one after another in these recent days.

Employes of the Kiangsu Farmers Bank were murdered and maimed by gunmen, who invaded their living quarters and mowed them down enmasse. Clerks and other employes of the Bank of China, to the number of 128, were dragged out of their beds at 3 o'clock in the morning, and taken to a "Gestapo-style" concentration camp by Japanese gendarmes and Nanking-hired agents. Premises of two other Chinese banks were bombed with further mass-killing and wounding of employes and others on the premises. Toll for the week was (approximately, as some of the wounded are sure to die):

Killed	14
Wounded	60
Kidnapped	128

Hitler's Gestapo couldn't have done the job better as it is an established fact that these atrocities were committed by pre-arranged plan, by the Japanese and their paid gangsters, the top-culprits being Wang Ching-wei, who sits in Nanking and his agent, Chow Fu-hai, who alternates between No. 76 Jessfield and the premises of the Central Bank on the Bund which he seized with the help of Japanese gendarmes and the connivance of some others in high places in the Settlement.

The impression created in the minds of respectable, law-abiding residents of Shanghai, irrespective of nationality, is that while the Japanese are constantly yelling about their "New Order" hereabouts, yet they are directly responsible for the state of barbarism and terror, which they have brought to this city. No one can expect to lead a peaceful life so long as this city is left to the mercy of these "dark influences."

While not wishing to create uneasiness, the writer is convinced that the incidents of this week are the forerunners of an even more disastrous "hurricane of terrorism," of such a serious nature as to be unprecedented in the records of crime.

A few weeks ago newspapermen were the objects of the assassins' bullets and bombs. Now it is innocent bank clerks, who are being mercilessly massacred by Nanking-hired gunmen or are being kidnapped by Japanese gendarmes and their puppet assistants. The frequently heard assertion that these outrages are being perpetrated in revenge for recent attacks on the Nanking-sponsored Central Reserve Bank and its employes is, in my opinion, rather misleading. I believe those attacks by puppet officials against their own flesh and blood have been perpetrated because of suspicion and envy. It will be recalled that an attempt recently was made on the life of a certain official of the so-called Central Reserve Bank, and most persons are aware of the fact that this attack was made by the official's own colleagues in the Bank. Therefore, acting on the pretence of vengeance, they slaughter their own innocent, law-abiding fellow countrymen, who actually have no political affiliations, although they assuredly do have serious thoughts and convictions on what is happening to their country.

Real Ruler Of Nanking

Gen. Shunroku Hata, newly appointed Commander-in-Chief of Japanese troops in China, arrived in Shanghai Saturday, March 8 and left immediately for Nanking where the Japanese military headquarters is located. Gen. Hata succeeds Gen. Toshizo Nishio who was recalled to Tokyo.

As a member of the Chinese public, I feel so bitter toward these gangsters and brigands and those who inspired them in planning and carrying out their sinister and dirty atrocities, that I do not possess a sufficient vocabulary to express myself adequately.

All Chinese understand that the Japanese and their marionettes have been violating the rights and interests of this country as well as foreigners and that they have the ultimate objective of expelling all foreigners from the Far East. In order to attain this end, the Japanese and the puppets have devised their plans for seizing the International Settlement and the French Concession, popularly known as the last footholds of the foreigners, particularly of British and American interests. The plot has been in existence for a long time, marked by innumerable steps or incidents, including the attempted murder of W. J. Keswick, Chairman of the Council. The con-

spiracy, in its latest development has been marked by the following steps:

1—Agents are dispatched with instructions to commit murder, conduct kidnappings, and agitate strikes, particularly among the workers of public utilities, with the object of disrupting local peace and order and paralyzing the city, in order that the foreign authorities may be blamed and discredited for their inability to manage local affairs. This is done to provide a pretext for seizure of the Settlement and Concession when the time is propitious.

Talking It Over With the "Boss"

Wang Ching-wei, head of the Nanking regime, discusses the situation with Mr. Kumataro Honda, (left) new Japanese Ambassador. Mr. Honda was appointed Ambassador, but had only been in Nanking for a few days when he was recalled to Tokyo for a Conference. He returned to Nanking a few days ago and immediately held a long discussion with Wang.—Press Union Photo.

2—The agents of disorder are doing everything possible to paralyze the activities of the First Special District Court by threatening the lives of judges and other court officials and bringing pressure upon all parties concerned. What has happened to the Second Special District Court, surrendered by the French, was indicated in the recent judgment sentencing a poor exchange shop proprietor for refusing to accept Chow Fu-hai's phony bank notes.

3—Attempts are being made to dominate local finance and banking circles, through organized speculation, hoarding of commodities, attacks on local bank officials and more recently the mass-murder of bank employes and bombings of their premises, in order to force them to submit to the control of political gangsters and their superiors.

These latest incidents were carried out by plan and probably with the advice of experts sent here from Axis countries. Never before has Shanghai experienced Gestapo-style mass-murders, and certainly the Shanghai police authorities never before saw such diabolically-contrived infernal machines loaded with 12-pounds of TNT, sufficient to wreck an entire block when exploded.

There is hope that this vicious plot may be fully revealed to the public immediately, in order that plans may be made to circumvent the enemy. In other words, plans should be made by the public to meet any emergency, and there should be no delay in the preparations. I earnestly hope that the competent authorities of the city will not overlook the seriousness of the situation and will handle the situation with courage and determination. The cynical attitude of a few leaders that there is no danger so long as "Chinese are killing Chinese," should be discarded definitely for the growing seriousness of the incidents indicates the dangers involved for the entire community. If our local officials are firmly resolved to defend the welfare and interests of our local population consisting of probably no less than 4,000,000 people of many nationalities, they should take all possible steps to track down the culprits and demand the immediate release of the kidnapped bank employes who are being detained either at the Nanking gangster hangout at No. 76 Jessfield, or at the Japanese gendarmerie headquarters.

One wonders how the authorities of the Settlement can have the face to continue "cooperation" in the maintenance of the socalled Special Police in the Western District! How can this force enjoy any prestige or power when the Japanese and puppets violate peace and order—without even informing the heads of the new police administration in the district? The area under their jurisdiction is still the hangout of gunmen, gangsters, kidnappers, gamblers, who continue to conduct raids into the foreign administered territory.

In the writer's opinion, the critical situation here not only affects peace and order in this city, but that of the entire Far East. It is high time for all of us, who still have some faith in justice and righteousness—or democracy—to unitedly rebuff the "dark-influences," and restore confidence on the part of the public. Our competent authorities certainly should have the unanimous support of all right-minded Shanghailanders, as well as the respective foreign Powers behind them. There should be no appeasement of the saneless brutes in human form who are harassing us and no hesitation in defending ourselves against the menace.

Editor's note—This article was sent to The Review by a Chinese reader, who, for obvious reasons has requested that his name not be disclosed.

Yugoslavia Signs Pact But Rejects Troop Entry

Germany's failure to get passage of her troops through Yugoslavia when that nation joined the Tripartite Pact this week nullifies its value and marks Hitler's first Balkan diplomatic setback since the war began.

Yugoslavia this week joined the Tripartite Pact but only after Germany, Italy, and Japan had signed documents promising not to request Yugoslavia to permit the transport of their troops, either on foot or in vehicles, through Yugoslavia as long as the war lasts. Germany, Italy, and Japan also promised to respect the integrity of Yugoslavia at all times.

However, despite the modified character of the pact, popular opposition to it has been manifested by hundreds of mass meetings throughout the nation. Cabinet members have been threatened with assassination and many deserters are reported to be crossing the Greek frontier.

Meanwhile, Russia showed distrust of her goose-stepping neighbor by exchanging with Turkey, a declaration of mutual determination to refrain from embarrassing each other in event either became involved in war.

An official communique said the declaration was exchanged after news appeared in the foreign press "stating that if Turkey became involved in war the Soviet Union would profit by the difficulties she would have to face by attacking her."

The Soviet assurances to Turkey are considered here to have restored the atmosphere of mutual understanding existing prior to the Finnish war, and to a great extent to have removed apprehension over Turkey's eastern frontier.

The declaration simultaneously dealt a knock-out blow to German propagandists in Turkey who have been fostering the idea that the U.S.S.R. would stab Turkey in the back if she became involved in a war.

Heartening news for Britain came this week when the United States Senate in record time passed the US$7,000,000,000 bill to finance the lend-lease program as it was revealed the United States assertedly can produce war materials twice as fast as Germany.

The huge appropriations measure to finance aid to Britain, Greece and China was passed by a vote of 67 to 9 and after only two hours debate.

At the same time, news from Africa that Marshal Graziani has resigned, that German forces are bolstering

Italian units in Libya, and that England has reconquered all of British Somaliland, indicates the desperate plight of the axis nations in the dark continent".

An official announcement from Rome reveals that Marshal Rodolfo Graziani has resigned from his posts of Chief of Italian Army Staff, Governor-General of Libva and superior commander of the armed forces in North Africa and has been replaced by Generals Italo Gamboldi and Mario Roatta, Resignation it was said, was at his own request.

General Gariboldi becomes the superior commander of the troops in North Africa and Governor of Libya, while General Roatta becomes Chief of the Army Staff in Rome, the official announcement said.

Coincidental with the Rome announcement of Graziani's resignation and a Berlin report that German troops have occupied El Aghelia, a Libyan port between Benghasi and Tripoli, British military quarters revealed that the Germans are reinforcing their armed formations in Tripolitania, western Libya. The total Nazi strength there was described as "one which the British cannot ignore."

It is believed that the German reinforcements were conveyed by sea and air from Sicily during the night-time and observers expect military activity in North Africa to be intensified.

Main military success this past week was the re-occupation of the whole of British Somaliland by colonial forces. The strategic road from Berbera to Hargeisa was opened and reports from Cairo state that Keren, Italy's Eritrean stronghold is besieged by Imperial troops.

"Day For Women"

Chinese women—at Chungking—participate in the celebration of International Women's Day—March 8. Standing at the end of the table, on the left, is "Madame Chao," famous as the leader of a guerilla band. The picture shows Madame Chiang addressing the gathering. Below is the parade staged by Chinese women through the streets of Chungking, with women representing all groups in Chinese society.

"DEAL" SEEN BETWEEN BRITISH, JAPANESE FOR S.M.C. POSTS

Three of the four leading English-language newspapers in Shanghai this week predicted a "gentlemen's agreement" would be forthcoming between the British and Japanese in Shanghai leading to increased Japanese representation on the Shanghai Municipal Council. Under this agreement, the newspapers understood that the annual election would be unnecessary this year.

Meanwhile, the *North-China Daily* News, the fourth of these papers and the only one not to make the assertions of the others, stated that "certain negotiations are understood to be underway with a view to coming to some arrangement whereby the necessity of holding an election along normal lines can be avoided."

However, the British-controlled N.C.D.N., either because it apparently was "scooped" by American newspapers on the story or for other reasons, declared further:

"It is not possible for the time being to publish the details or the character of these negotiations, which are believed to be still inconclusive. The reports concerning them which have appeared in several newspapers are understood to have no official authority whatever."

The *China Press*, The *Shanghai Evening Post and Mercury* and the *Shanghai Times* all said negotiations had been proceeding between British and Japanese municipal authorities and indicated that some kind of agreement bolstering the strength of the Japanese soon would be reached.

The Shanghai Consular Body early this week granted the request of the S.M.C. to postpone the annual municipal elections from Wednesday and Thursday April 2 and 3 to April 9 and 10, ostensibly to give the British and Japanese negotiators more time to complete their parleys.

Meanwhile, American opposition to the purported British-Japanese plans for "agreement" appeared to be mounting. The American S.M.C. candidates, Mr. N. F. Allman and Dr. R. J. McMullen, apparently were not informed of these conversations until they had been well underway. The reports led to several secret meetings of the American election body, according to the *Post*.

As the Council now stands, the British and Chinese are represented by five members each, the Americans and Japanese by two members each. The Japanese have been clamoring for additional representation and demand at least two more seats. The British, anxious to keep Shanghai "peaceful" in a world at war, apparently are willing to come to a compromise with the Japanese, according to the *China Press*.

The local newspapers stated the compromise may result in surrender of two British seats, with one going to a Japanese and another to a "neutral," as far as the clash of local interests is concerned. *The China Press* quoted authoritative sources as saying that the conversations were not limited to the Japanese question, and that they might feasibly result in granting a seat to the large German community the ostensible purpose being to represent interests of other nationals not represented at present.

An agreement under which the British would surrender Council representation easily could swing control of the Council into Axis hands. With the Britons cut to three and the Americans remaining at two, the positively-aligned vote would be only five. Japanese representatives presumably could exert pressure on a "neutral" member, especially if German or Italian, and also on Chinese members sufficient to grasp control of the Council from the hands of the Anglo-Saxon bloc.

An agreement between the British and Japanese quite possibly would eliminate the annual election, since only two Americans have been nominated for the American seats on the Council and the five Chinese nominees already have been named.

Plans for more equitable Council representation have been mooted in the past, it was pointed out by the *China Press*. Some time ago the local press printed one of these plans, saying that it had been put forward before official quarters. Before his departure from Shanghai, Mr. E. T. Nash, former Deputy Secretary of the S.M.C., published a political testament in which he urged greater influence for the Japanese, providing the latter make certain assurances and carry out certain reforms in their areas.

Red Cross Requires Supervision Over Its Relief Activities

IN view of controversies which have developed over relief policies for victims of war in Europe and elsewhere, the Chairman of the American Red Cross, Hon. Norman H. Davis, announced the general policy of the organization in his annual report to members in Washington, D. C. recently. The report is of special interest in China due to the fact that a considerable portion of relief funds, derived from private sources and from governmental appropriations, have been expended in China.

Mr. Davis stated that an enunciation of policy had become necessary because of entirely different problems which had developed in the present war, from those which prevailed in the World War. In the previous struggle, injury or suffering among civilians was largely incidental to the major military and naval operations, hence relief could be extended without serious objection from the military authorities.

In the present struggle, which carries the designation, "totalitarian war," stated Mr. Davis, "it appears at times that civilians are the principal objects of attack." Mr. Davis then referred to a cartoon which had been published in the American papers showing a group of soldiers anxiously gathered around a bulletin board to scan the casualty lists of their civilian relatives at home.

Mr. Davis said that the General Principles which the American Red Cross was trying to apply in all of its foreign relief work were:

First, we shall adhere to the traditional policy of the Red Cross to render impartially such aid to the victims of war as is possible and practicable without regard to race, color or creed.

Second, we recognize our trusteeship to the American people who so generously contributed the war relief funds.

Third, our humanitarian aid must be such as not to constitute involvement in the military objectives or political issues of the war.

Fourth, it is not our policy to send supplies into a country to replace similar supplies going out of that country or being requisitioned therefrom as a result of alien military occupation and control.

Fifth, in extending aid the American Red Cross does not confine itself to any limited categories of relief. While our aid will be mainly in the form of medical and hospital supplies and surgical dressings for the sick and wounded of the armed forces and for sick and wounded civilians; clothing for civilian refugees, and garments for hospital patients; and ambulances or other necessary transportation; any other form of aid will be extended which may be deemed most effective and useful in meeting the needs.

Sixth, while the Red Cross has, within its resources, provided food to meet special emergencies, we must recognize that mass feeding operations for large numbers of people over extended periods of time usually require such vast amounts of money and other factors that only governmental authority can successfully finance and administer such operations.

Seventh, we will undertake relief operations only where we can make independent investigations as to the needs and have adequate freedom of communication, transportation and supervision, with sufficient inspection and control by our own personnel to assure that the supplies will go only to those for whom they are intended.

Finally, as the Red Cross is a quasi-official organization our foreign relief operations must be consistent with national interest. Notwithstanding unprecedented problems and difficulties which the organization has had to face, the American Red Cross has been able to render timely and extensive aid to prisoners of war and to civilians which has saved the lives and eased the burden of the victims of this conflict.

Mr. Davis then outlined, briefly the extent of relief activities conducted by the organization in 1940, two items being outstanding: More than 1,350,000 garments and approximately 9,700,000 surgical dressings were sent abroad during the year. From the standpoint of finances, the Red Cross received funds from the following sources during 1940:

From campaign and other contributions and Red Cross appropriations	US$ 6,682,000
From Chapter produced and donated	3,669,000
From Supplies purchased by the U.S. Government for distribution by the American Red Cross	3,441,000
Total	US$13,972,000

In round figures the relief thus made available was distributed to the following countries or utilized in general relief services as follows:

Great Britain	US$ 8,306,000
France	1,780,000
Poland and Polish Refugees	991,000
Finland	1,645,000
Red Cross Societies of Belgium, Canada, Greece, Netherlands, Norway and Switzerland	257,000
Early expenditures for China	323,000
General relief services and activities not applicable	490,000
Total	US$13,972,000

The foregoing report of receipts and expenditures covered the period from September, 1939 to Nov. 30, 1940. Previously, dating back to the outbreak of the war in September 1939, the Red Cross raised immediately US$1,177,000 for use in emergency situations. On May 10, the day following Germany's invasion of the Low Countries, the American Red Cross launched a national campaign for a War Relief Fund of US$20,000,000. To date US$21,588,000 has been collected. Of this sum US$3,072,000, or approximately 15% was retained by the chapters of the organization in the United States for local war relief expenditures, principally in connection with the production campaign.

Another significant development in connection with the relief activities of the American Red Cross, stated Mr. Davis, was at the beginning of the conflict in the Far East and the war in Europe, when the American Red Cross made inquiry through the International Committee of the Red Cross as to whether the Red Cross Societies of the countries involved desired assistance from other national societies. The Japanese Red Cross and the German Red Cross both declined such assistance. The A.R.C. accordingly announced that none of the funds collected would be expended for relief to those two countries.

In addition to the funds contributed by the war relief program of the A.R.C., the U.S. Congress appropriated US$50,000,000, which was earmarked, "to purchase exclusively in the United States and to transport.... agricultural, medical, and other supplies for the relief of refugee men, women and children, who have been driven from their homes or otherwise rendered destitute by hostilities or invasion." President Roosevelt immediately designated the A.R.C. as the chief distributing agency in both Europe and the Far East.

A later report published in the Red Cross *Courier*, organ of the Society, stated that A.R.C. relief in China had passed the US$1,000,000 mark. An A.R.C. "mercy ship" was dispatched to Greece in January carrying 12,000,000 pounds of foodstuffs and medical supplies, ambulances, hospital trucks, and in addition US$1,000,000 in cash for war relief in Greece. Another "mercy ship," loaded with a cargo of medical supplies, milk, clothing and vitamin concentrates for distribution among children only was also dispatched to unoccupied France. Relief sent to other places included 4,500 tons of whole wheat flour, 250 tons of powdered and condensed milk to Spain; 10,000 prisoners-of-war boxes for distribution to English, Polish, French and Belgium soldiers in Nazi prison camps. The parcels cost US$2.20 each and were of two types, one containing food and the other containing clothing. A further shipment was despatched by the A.R.C. on March 17, the cargo including 12,000 quarts of powered milk, 150,000 suits of clothing and a huge quantity of medical supplies, including 20,000 bottles of concentrated vitamins.

Negotiations Begin for Fiscal Readjustment Between Chungking and Sterling Bloc

BY JOHN AHLERS

Recent conditions of financial intercourse between China and the Sterling Bloc are due for a readjustment. They fail to satisfy either London or Chungking, and both the Chinese and British Governments want them changed. Reuters Agency last week finally admitted negotiations in the matter to be proceeding, and before long financial relations between the areas will be put on a new basis. It is reassuring to learn from the London news telegrams that also under the pending new arrangements Chinese holders of Sterling are likely to enjoy more latitude than other foreign holders, but existing facilities undoubtedly will be markedly curtailed. Shanghai certainly will be affected to considerable extent.

China became an unofficial Sterling Bloc member following her currency reform of 1933 which pegged the then newly-created Chinese paper dollar to Sterling at a fixed rate officially maintained up to the present day. However, when Britain was drawn into the present European war, depreciated her currency and subjected it to Empire-wide strict control, the China dollar's relations to Sterling became less intimate. Yen in Japanese-occupied China, and U.S. dollars at Shanghai out-distanced Sterling as foreign trade currencies; British shipping, banking and insurance saw their respective China business shares decline. The Shanghai open exchange market cut loose from the lead of London in order to follow that of New York. When U.S.A. agreed to currency cooperation with Britain, Shanghai entirely on its own resolutely established an independent free Sterling rate.

Yet British finance, though no longer dominating China's business world, still retains a powerful hold on this country, and in particular on Shanghai. The most important banks, locally, and the large majority of important stock corporations here are British. British investments in China proper still top Japanese investments, and far surpass those of all other foreign nations. In Shanghai's foreign trade during the first two months of the current year, the British Empire continued to share with 34 percent in imports, and 40 percent in exports. In local shipping, British tonnage, though much reduced through withdrawals of bottom space to other areas, ranks second to Japanese shipping only. On the South China coast, Hongkong's banks, currency, trade and shipping out-distance all other foreign countries' business. At Tientsin in the North, the Japanese by means of outright compulsion managed to force back the British into the second position only.

British economic and financial wartime measures could not fail to greatly affect China business, and especially Shanghai. Most of the present local shortage of shipping space, which endangers Shanghai's regular supply with foreign cereals, raw materials and fuel, and which led to present curtailments of electric power production, is due to the withdrawal of vessels flying the Union Jack. Some vital supplies Shanghai finds it difficult to purchase in Sterling Bloc areas, and markets there for numerous Shanghai-made industrial products are restricted by wartime import controls. Even the Chinese National Governmenet thus far was unable to draw upon the British £5,000,000 special credit granted in November last because the British Empire cannot spare the supplies that Chungking wants. London had to propose that the United States effects delivery of those supplies against payment in other Sterling Bloc commodities not in demand in Free China.

Britain's chief financial concern at the present time is the problem of foreign exchange. The British, though risking their all in their defense against Germany, over their present plight do not forget to provide for the future, and carry on financially on a reasonably conservative basis without compromising all chances of future financial consolidation. The British by no means conveniently rely upon Uncle Sam's funds but raise all the money they possibly can raise themselves, and for this purpose mobilize their reserves and foreign investments. Already their gold hoard has dwindled to a comparatively small sum; already they have sold the bulk of their holdings in American shares and bonds; already they have started upon the sale of their direct investments in U.S.A. They need every bit of foreign exchange they may be able to recover, and it is not to be wondered at that for some time past they have been constantly tightening Sterling Bloc exchange control. Today it is British financial intercourse with China which leaves open by far the widest loophole in the British Empire's exchange control armor.

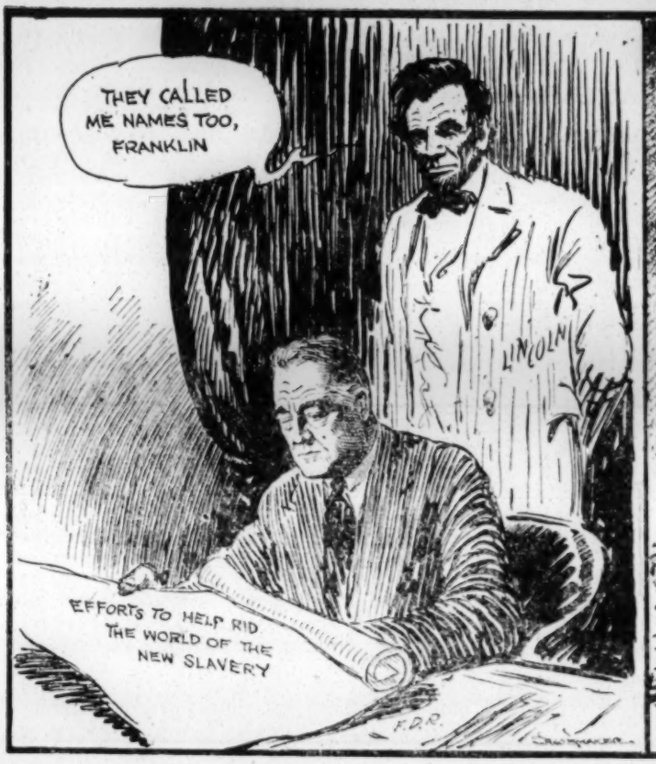
The British have been extremely lenient in the application to China of Sterling Bloc exchange control. The most important concession made, in this respect, was permission for Hongkong to remain outside the Sterling Bloc. Although Hongkong is a British Crown Colony, the island in the field of exchange has been given the same treatment as the Dominion of Canada. The Hongkong dollar since the European war's start has been pegged to Sterling at fixed rate, and practically is a Sterling Bloc currency. But Sterling Bloc exchange regulations have not been made applicable in the Colony whose Governor was content to subject Hongkong exchange dealers to certain restrictive rules only. This arrangement for some time was beneficial to both Hongkong and China. Hongkong retained a great deal of its commercial and financial China transit business which otherwise would have been curtailed or lost completely, which China was able to continuously enjoy Hongkong's great financial facilities. Shanghai especially derived great advantages from Hongkong's freedom from Sterling Bloc exchange control, and received via the Colony the main support that was given the exchange value of Chinese national currency.

Yet the special treatment applied to Hongkong has not been without its disadvantages to both Britain and China, and of late the tendency has been to consider these disadvantages as at least equal to the advantages derived from Hongkong's special position. British hopes that it would be possible to suppress flight of capital from and via Hongkong have been disappointed. The truth is, that Hongkong's exchange facilities have been abused by flight of capital from both China and the Sterling Bloc to Shanghai, and via Shanghai to other parts of the world. The volume of such capital flight for many months past has been substantial, and all attempts to stop it while maintaining the present exchange regime at Hongkong have failed.

At the same time, it has not escaped either London's or Chungking's attention that the Japanese, and possibly also their European Allies, have been able to take advantage of Hongkong's exchange liberties either directly, or via Shanghai. It is an open question whether the recent firmness of the Chinese national dollar in the Shanghai market, and the conversion here into that currency of considerable Sterling funds did not more benefit the Japanese military machine than the cause of China. It is is via Shanghai that worthless Yen Bloc paper money may be converted into gilt-edged foreign exchange, which in turn may buy supplies otherwise unobtainable against Yen Bloc scrip. This is possible at Shanghai largely by reason of the financial backing which this city receives from Hongkong's preferential position in the Sterling Bloc.

The desirability of some new arrangement terminating Sterling Bloc exchange leakage via Hongkong, suppressing capital flight from and via the Colony, and preventing Britain's and China's adversaries from taking advantage of Sino-British financial facilities while at the same time continuing the latter has been realized, for some time past, by the Churchill as well as the Chiang- Kai-shek Government. The present London-Chungking financial negotiations cover these problems. A silent third partner in these negotiations, of course, is the United States, maintaining the lead in Anglo-Saxon financial aid-to-China policy. Financial cooperation between Washington and London already covers by far the greater part of the world, though as yet not either Shanghai or Hongkong. A new financial arrangement between the Sterling Bloc and China, with American interests and wishes taken into account, may solve the problem of U. S.-British collaboration in the field of exchange policy out here, too.

"History Repeats"



"All He Asks"

Both cartoons from Chicago Daily News

"Return of the Native"

New York Times

"Mussolini's 'Army' Toes The Line"

New York Times

'Ready"

Daily Herald, London

"The Cheshire Grin"

China Press, Shanghai

"Parting Of The Ways"

Chicago Daily News

"Musso Orders New Advance On Albania"

—by Illingworth.

London Daily Mail

"Retribution"

London Star

The Fascist Salute
(*New Style*)

Chicago Daily News

Chiang's Son Proving Able Administrator in Kiangsi Area with Three-Year Plan

BY HU CHANG

(This is the first of a series of two articles on the work of General Chiang Ching-kuo, the Generalissimo's son, in his administration of the Kiangsi Fourth Administrative Area. The second article will appear next week).

General Chiang Ching-kuo, eldest son of Generalissimo Chiang Kai-shek, went to Soviet Russia at the age of 14 and studied in that country for fourteen years. He returned to his fatherland on the eve of the July 7th Incident.

On the commencement of the war of resistance on August 13 he was appointed as the Vice-Director of the Kiangsi Peace Preservation Bureau and introduced reforms for the advancement of this force. Then he was transferred as the Director of the Kiangsi Provincial Newly Organized Supervisory Training Bureau. In a brief period of ten months he trained more than ten regiments of new recruits with remarkable achievements. After training they not only had a good record for their studies and could understand simple literature, but also had an adequate comprehension regarding questions pertaining to current events and politics.

Following the closure of the above Bureau in June, 1939, he was appointed as the Administrative Supervisor for the Kiangsi Fourth Administrative Area and has held this post until now. The following day after his assumption of office he issued orders regarding elimination of official corruption and prohibition of gambling and smoking of opium.

He has made every possible endeavour to find out and relieve the sufferings of the people. Now and then he goes to the country for the purpose of obtaining a first-hand information regarding the actual conditions of the peasants. He listens to their complaints, if proved justifiable, and privations. He also drinks and dines with them. During the past one year he has travelled by foot 1,425 kilometers. As he has visited almost every town in Kannan, the Kannan people call him "the Blue Sky."

He has accorded every possible special privilege to families whose sons or brothers have been drafted into the army and are now fighting at the front. On the occasion of each Festival presents of meat and fish are sent to each family as a token of comfort and goodwill.

Kannan was infested with robbers and bandits. There was no peace. The "Three Dots Society" was an organization of robbers and bandits in disguise. A soon as he assumed office as the Administrative Supervisor he first of all took steps to make peace secure. Despite the existing unprecendented high cost of living no robbery cases have been heard of or reported.

Has Russian Wife

As to his private life he can serve as a good example to his subordinates and people. Despite his high lineage and position he leads a simple and frugal life together with his young Russian wife, who speaks the Chinese language, wears the Chinese dress and eats the Chinese food besides helping her husband in many social and philanthropical activities.

He disapproves of polygamy and is averse to maltreatment of the

Chiang Ching-kuo

women by men. He has kept a motor-car and a motor-cycle but except in cases of absolute necessity very seldom uses them on account of lack of supply of gasoline oil and its exorbitant cost. He rises before dawn every morning. His only hobby is horse-riding at leisure hours. After each raid by enemy planes he is always seen first visiting the killed or wounded. He extends financial aid to the affected families.

With a view to reconstruction of the area under his jurisdiction for the purpose of attaining his aims to enable everybody to have rice to eat, a house to live in, a school to study, work to do and clothing to wear, he has drafted a three year plan including politics, economics, education and culture which may be summarised as follows:

The Kannan Situation

Kanhsien, formerly known as Kannan, which is 420 kilometers distant from Nanchang, capital of Kiangsi Province, is named after the Kan River and situated in south Kiangsi. It was one of the big four cities in Kiangsi in pre-war time including Nanchang, Kiukiang, Kian and itself. Now Nanchang and Kiukiang have been temporarily occupied, leaving Kian and Kanhsien as the only two most important centers to connect Chekiang and Fukien with inland China during the present campaign of resistence.

Kannan is now under the Kiangsi Fourth Administrative Area and includes 11 hsien districts with an area of 22,000 square kilometers and a population of 1,600,000. Of its noted products are tungsten and tin produced in Tayu, which is only 88 kilometers from Kanhsien, sand gold and sugar cane in Nankang and sweet turnip in Hsinfeng. The output of the Kannan tungsten is above 60 per cent of the total production in this country and is abundant despite the isolated situation of the mines.

Geographically speaking Kannan is a most ideal base for the rejuvenation and rebirth of the Chinese race either in the Central Yangtze or in Kiangsi Province itself. The great part of the Kannan 11 hsien districts is mountainous and is situated at the upper part of the Kan River, looking down on Nanchang and Poyang Lake. Taking Kannan as the base, Chinese troops in their counter offensive can easily retake Nanchang, Poyang Lake and Kiukiang by down-stream of the Kan River, thus intercepting the Central China retreat of our enemy.

Furthermore, across the Tayu range southward our troops can attack the back of Canton. On the east are Fukien and Chekiang, connecting this Province with Hunan, forming the great rear of the Hunan, Kwangtung, Fukien, Chekiang and Kiangsi five Provinces. The importance of its situation cannot be surpassed in the southeastern Provinces.

Formerly Ungovernable

In the past Kannan was considered as an ungovernable area. Under the rule of ten years of Mr. Wang Yang-min in the last years of the Ming Dynasty, the political machinery was put in order. At the beginning of the establishment of the Republic it was still occupied by warlords and the local authority was manipulated by its landlords and corrupt gentry, causing the people to harber a resentment and animosity against them.

Upon his assumption of office as the Administrative Supervisor for the Kiangsi Fourth Administrative Area in 1939, he adopted purgative measures. He fixed a certain period for the prohibition of smoking of opium and gambling and wiping out of the local evil influence, such as avaricious landlords and corrupt gentry. As to bandits, pacification and suppression are both employed. The great part of this purgative policy has now been crowned with success.

The smoking of opium was put to an end in June, 1940. The order regarding the prohibition of gambling was strictly enforced by the Civil Magistrates concerned and this vice has been practically eliminated. Many bandits have surrendered themselves, while others have been dispersed to live a new

lease of life. At present the only question requiring solution is that of prostitution. The difficulties which have to be faced in connection with the prohibition of prostitution are how to dispose of the prostitutes when the order is carried out. January 1, 1941, having been set as the date on which public prostitution should be put to an end, preparations are being made for establishment of Women's Factories where women can work after giving up prostitution.

Since his assumption of office as the Administrative Supervisor, the great part of General Chiang's energy has been concentrated on purgative and reformative measures. Hereafter, what he should accomplish is reconstructive work. His three year reconstruction plan was passed at an Administrative Conference.

In spite of its abundant products, the productive methods lag much behind. Among the Kannan 11 hsien districts there is not a single large modern factory. At a conference he has said that the aim of his three year plam was to bring about changes on the economics and the psychology of the people of Kannan.

His three year plan includes the following 11 items:

(1) Agriculture

With regard to agricultural reconstruction, the cultivation of undeveloped land should be first started. According to the three year plan the first step is to investigate the area of the uncultivated land of each hsien district so as to ensure the self-sufficiency of the products of the area on the one hand and to increase the export on the other. The larger undeveloped land should be cultivated by ex-soldiers and refugees and the smaller lands by the local people, while the Government should make arrangements with the Farmers' Bank for the supply of the required expenditure.

It is also prescribed that during the first year the Chung Hsin School of each Chu should cultivate 10 mou of the undeveloped land and each Hiangkungsu and the Hiang Chung Hsin School five mou. It is expected that excluding the land to be cultivated by ex-soldiers, refugees and private tillers, the Hsiangkungsu and schools of each Chu may cultivate about 35,-500 mou of undeveloped land.

Agricultural Stations: In order to introduce reforms for the advancement of agriculture one agricultural station should be first established at each hsien district. All methods and measures regarding improvement of agriculture, its implements, the manufacture of fertilizer, the selection of seeds and the elimination of pests should be first adopted by the Agricultural Station, and if satisfactory extended to all farmers. By the end of the third year there may be 314 Agricultural Stations in each hsien district of the Fourth Administrative Area.

Speaks on China

Mai-Mai-Sze, a well known Chinese young woman, who is now lecuring in the United States, chiefly before women's clubs on Conditions in the Far East.

Reforms regarding irrigation: During the first year the Civil Magistrate of each hsien district should endeavour to adjust the existing water ponds and construct five additional water reservoirs according to actual requirements. During the second year each Hsiang should construct one water reservoir according to its actual requirements. During the third year each Pao, namely 100 families, should dig two water ponds.

Construction of the farmers' new villages: One farmers' new village should be constructed in Kanhsien the following year after the enforcement of the three-year plan. During the third year, each hsien should construct one farmers' new village and every possible assistance should be accorded to the farmers for the construction of such new villages.

Improvement of agricultural implements: The agricultural implements employed by our farmers are extremely clumsy and out-of-date. It is therefore imperative to improve the old time-honored agricultural implements in order to improve agriculture and raise its products. At the outset of the second year an Agricultural Implements Manufacture Factory should be established in Kanhsien at a capital of $50,000 for the purpose of manufacturing all modern agricultural implements. During the third year each hsien district should according to its actual requirements establish such a factory at a capital of a $250,000,000.

(2) Forestry

According to the three year plan, at the cutset of the first year a Forest Conserving Commission should be formed in each Hsiang, Cheng and Pao with a view to prohibition of reckless felling of trees and pasturing. Each Hsien district should readjust the existing forests and establish a New Kannan Forest where 10,000 trees should be planted. During the second and third years a New Kannan Forest should be established in each Pao and 5,000 trees should be planted in each forest. In the first year, using the hsien as a unit, a competition for planting of trees along the highway should be held. In the second year, using the Chu as a unit, and in the third year, using the Hsiang as a unit, a competition for planting of trees along the paths of the Chu and Hsiang should be held.

An investigation should be made into the hills barren of trees. The owners of such hills should be compelled to plant trees at a fixed date, while those owned by the Government or the public should be planted by a voluntary movement. It is expected that in a period of three years the aim of making every hill a forest may be attained. In the third year after the enforcement of the three year plan a Lumber Transportation and Sales Control Office should be established in Kanhsien and a branch Office should be established in each producing and selling place for the purpose of controlling the transportation and sales of lumber and promoting its market.

(3) Industry

Among the Kannan 11 hsien districts there is not a single modern enterprise. Instead there are only small-scale handicraft factories scattered in various areas. It is therefore necessary to improve these factories in order to expedite the development of industry. According to the three year plan, Handicraft Industry Directing Offices should be established in the first year for the purpose of investigating, studying and improving matters concerning this industry. In the second year a Hand-craft Industry Training School should be established.

The establishment of factories should be based on the principle of clothing, eating, dwelling, travelling and culture. As to clothing, spinning and weaving, dress-making, and dying factories should be founded. As to eating, rice mills, sugar refineries, oil mills and mushroom and agricultural implements manufacturing factories should be founded. As to dwelling, tile and lumber-sewing factories should be founded. As to travelling, car factories and shipyards should be founded. As to culture, printing and stationery manufacturing factories should be founded. In addition, paper, match, soap, tooth-brush and tanning factories should be founded. The establishments of all these factories should be completed within a period of three years and additional factories should be added according to actual requirements

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(The second and final article in this series will be published next week.)

Grim Battles Reported Raging Between Chinese, Invaders in Kiangsi and Kiangsu

With the gunfire in the Western Hupeh district hardly silenced grim battles were again reported to have raged, in the Fangsin-Kaoan sector in northern Kiangsi and the district west of Taihu Lake in southern Kiangsu. In both areas the Japanese claimed to have launched large scale military maneuvers, while the Chinese claimed to have successfully counter attacked.

The week passed, meanwhile, with another Japanese naval landing effected on the northern shore of Honghai Bay, Eastern Kwangtung Province, and their subsequent announcement to extend the coastal blockade to include the areas around the bays. Government and army leaders of both sides, however, still voiced their determination to win the war, the settlement of which is still as remote as ever.

According to the Japanese reports carried by **Domei**, the Japanese forces in Nanchang, provincial capital of Kiangsi Province, started their powerful drives westward against Fengsin and southwestward against Kaoan on March 15. Both maneuvers, if taking their aim into consideration, appear to be defensive rather than actual offensive. Their purpose was purported to be to disperse an alleged 80,000 Chinese troops massed arround the Fengsin-Kaoan sector in apparent preparation for the attempted recapture of Nanchang.

The Japanese column which occupied Fengsin, alleged latest **Domei** reports, reached the outskirts of Tsingnan, 30 kilometers north of Fengsin on March 21, while Japanese forces leading to Kao claimed to have culminated their advance along the Nanchang-Changsha Highway with the capture of Shangkao, west of Kaoan. This was described by the Japanese as the principal stronghold of the Chinese war zone.

Latest Chinese reports declined to furnish any confirmating of the fall of Shangkao, but the Chinese military spokesman, at his usual press conference in Chungking on March 20, admited the Chinese withdrawal from Kaoan "in order to remain free to attack." The Chinese launched a furious counter-attack on March 22. According to **Kuo Min**, Chinese troops engaged a force of 4,000 Japanese in a sanguinary battle at Huifow, southwest of Kaoan, and subsequently recaptured the town. The **Ta Kung Pao**, featuring the Japanese offensive reported that the Japanese forces had suffered between 2,000 and 3,000 casualties since March 20 in the battle between Kaoan and Shangkao.

Severe fighting last week was also reported to have continued on the Kiangsu-Chekiang border. Chinese field dispatches from the west Chekiang front stated that after the arrival of large reinforcements from Shanghai and Hangchow, Japanese forces near the Kiangsu-Chekiang border launched an attack on March 20 aginst Chinese positions there. The main object of the Japanese drive appeared to be an atttempt to clear up the Chinese troops operating on the west shores of the Taihu Lake in the vicinity of Kwangteh.

One Japanese column was pushing southwest from Changhing in the direction of Sze An, and another Japanese column was driving southwest from I Hing towards Chang Tu Cheng, while a third column was headed for Liyang. Both Sze An and Liyang were claimed by the Japanese to have fallen into their hands. All the mentioned towns were located at the area west of Taihu Lake.

In South China, Japanese detachment staged another surprise landing on the northern shore of Hoanghai Bay, north of Bias Bay at dawn of March 24, according to a communique made by the High Command of the Japanese Expeditionary forces in South China. The same communique claimed that the Japanese detachment is driving towards an undisclosed place, in concert with those Japanese troops which recntly landed on the peninsula east of Bias Bay. Swabue , eastern Kwangtung province port halfway between Hongkong and Swatow, was claimed to have been occupied by the Japanese in the course of their landing. Another Japanese unit which landed near Swatow under the cover of dusk on March 23 was said also to have captured Chaoyang on the next day.

"Air Raid"

Bosshard Photo—N. Y. Times

The Japanese naval authorities, shortly after the Honghai Bay landing, further declared they had extended their blockade zone to include Honghai Bay, Kitchioh Bay, and their neighboring waters north of a line connecting the Fokai Promontory, Chiland Chiao and Tongmi Chiao on the Kwangtung coast. **Domei** reports, meanwhile, said that Japanese troops which effected a surprise landing on an unnamed peninsula east of Bias Bay on March 16 "captured" a large amount of war materials. Japanese forces two weeks ago landed on the western Kwangtung coast and withdraw immediately with large quantities of "captured goods."

Although the warfare in Western Hupeh was gradually reaching low ebb last week, further gains, were claimed by the Chinese. A **Kuo Min** report from Fancheng stated that heavy losses were sustained by the Japanese troops at the battle of Tiensinmiao, near Ichang, in western Hupeh. The Japanese force on the south bank of the Yangtze river, meanwhile, was claimed to have been forced to withdraw to a new front nearer to its base at Ichang. Large batches of wounded Japanese were said to have been conveyed to Hankow from the Ichang sector, while hundreds of wounded Japanese troops are still awaiting transportation eastwards from Anyisze and Kiangkow.

A repetition of last summer's raiding in Western China was indicated by the Chinese military spokesman last week as the Japanese resumed their regular incursions. Chungking was again bombed by eighteen Japanese airplanes, which hurled a number of bombs in the western districts of the auxiliary capital, but no great damage was done. New measures are being taken to evacuate from the Chungking area as many civilians as possible. The city's population will, it is believed, be restricted to 230,000. Meanwhile, **Kuo Min** reported from Kunming that two American "flying fortresses," purchased by the Chinese Government, have been transported to China and are being prepared for service. Two more "flying fortresses" will also be shipped to China in the near future.

Other Japanese air formations, reported **Domei**, repeated bombings on Patung, Kweichow, Changnao, Santowping, and Nan in western Hupeh Province. Yingtan, important railway and highway junction in eastern Kiangsi, was also bombed by four Japanese airplanes on March 20. Only one house was said to have been demolished. Belated reports from Wuchow, received by the **North China Daily News** last week further detailed a Japanese merciless bombing raid staged over Lungchow, Kwangsi, on the border of Tonkin, on January 17. Their aimless bombs were reported to have severely wounded the newly-appointed French Consul and one of the French Fathers. The wounded were later taken to the hospital in Langson for treatment.

In addition to the furious land activities for the week voices of determination to win the war were heared from both sides. "China remains unconquered, and more than ever unconquerable," the Chinese Ambassador to London, Dr. Quo Tai-chi, declared at luncheon of the Fabian Society in London on March 19. "We have been a bit tougher and even more resilient than the world expected. China is blessed with a brilliant leader. We have our Chiang Kai-shek, as you have your Winston Churchill and the Americans have their Franklin Roosevelt.

The same confidence in final victory in the present Sino-Japanese undeclared war was also expressed by Gen. Wu Te-chen, former Mayor of Shanghai, who, in a radio address to Shanghai on March 24, said that he would be in Shanghai to join the masses in the celebration of 1942's new year's day. He assured Shanghai Chinese that China would triumph in the near future and urged them to strengthen their determination to continue their struggle.

Nanking Regime in Reign of Terror in Shanghai; Two Banks Bombed, Many Slain, Wounded

In a desperate effort to force acceptance of Central Reserve Bank currency, Wang Ching-wei's Nanking Government resorted to murder, kidnaping and bombing during the past week. Western District Police kidnaped 128 employees of the Bank of China, Nanking gunmen murdered six and wounded five sleeping employees of the Kiangsu Farmers' Bank, and terrorists killed eight and wounded 40 in bombing attacks on pro-Chungking banks.

A branch of the Central Bank of China on Burkill Road near Bubbling Well Road was gutted by a T.N.T. explosion shortly before 4 p.m. March 24. One person was killed and 38 were wounded in the blast, which shattered plate glass windows in the vicinity. Huge cracks appeared in the superstructure of the building and most of the second story collapsed. Had not Detective-Sergeant R. J. Thoemmas appeared on the scene to warn of the immediate impending explosion, the death toll would undoubtedly have been higher.

A greater tragedy occurred at the Canidrome branch of the bank, when a similar death package the same afternoon killed seven persons, one of them a woman. Another woman was seriously injured, while 20 others were taken to St. Marie's Hospital for minor first aid treatment.

The Canidrome explosion caught the bank by surprise and the victims had no warning. Despite the great loss of life comparatively little damage was done to the building itself.

A bombing of the Farmer's Bank of China on Avenue Road was foiled by the quick action of Detective Sub-Inspector F. A. Ewins. He was called to the bank by frantic employees, when they discovered that a messenger had left a "package that ticked." The detective dismantled the bomb and found it to be wired for both time and contact explosion. It was set to go off at 4 o'clock.

None a High Official

As far as police know, none of the dead or wounded was a high official. Most of them were clerks or accountants. Observers saw these attacks as a frantic effort of Nanking to get recognition of their Central Reserve bank notes. It may be recalled that the bank's currency circulation recently fell below January's total of slightly more than $20,000,000.

Police forces, acting under instruction from the Nanking Government, arrested 128 employees of the Bank of China in a raid on the bank's dormitories at 96 Jessfield Road early Saturday morning. Two cars overflowing with the officers descended on the quarters shortly after midnight and again at 3 a.m. The surprised victims were hustled away to Wang Ching-wei's local police headquarters at 76 Jessfield Road. About 30 of the men were later released.

The Nanking Police Ministry issued a warning to Chungking banks and sympathizers the next day acknowledging responsibility for the kidnapings and threatening further violent measures against Chungking bank employees and the hostages. The Police Ministry stated in its release on the kidnapings, "If our warning be unheeded, we shall be forced to take similar measures to deal with entire staff members of all the Chungking operated financial institutions in Shanghai."

Another act of Nanking terrorism occured when six employees of the Kiangsu Farmers' Bank were shot dead in their bunks and five were wounded at the bank dormitory, in the French Concession. Friday, about midnight, six Nanking gunmen, posing as policemen, pushed aside the watchman at the place and entered. The gang flicked on the lights, shot a bullet into each bunk, and fled in a waiting car before the survivors realized what had happened.

Five Die Instantly

Five of the employees, Van Zai-kan, Sih Yu-san, Chu Hwa-loong, Chang Zao-zung and Van Zing-kiang, died instantly while another, Zih Sung, succumbed to his wounds two hours later at St. Marie's Hospital. Five others received chest and leg wounds.

None of the 11 men was a high official in the Kiangsu Farmers' Bank and they had all recently arrived from the provinces, French police revealed.

Although supporters of Chungking Government Banks suffered most this week, Ler Tien-chuen, head of the Development Board of Nanking's Central Reserve Bank, was shot and killed last week by a lone gunman.

Another political shooting occurred last week when a Chinese employee of the Japanese Press Bureau, Chu Chi-kong and a friend, Chang Tse-dong, were wounded by a gunman on West Soochow Road.

A second lone gunman brought death to Hu Shao-lin, a Chinese of about 40, who carried a Nanking regime pass. The victim was shot twice in the back of the head while passing in front of the Sun Company on Nanking Road. He died instantly and his assailant escaped.

An International Settlement Police officer has revealed that a three-month campaign has completely uprooted gambling in the normally controlled Settlement area. For the first time in five years the police are aware of no operation of public gambling dens.

The gambling situation remains unchanged in the Western District, however, despite Nanking assurances that the dens would be closed, the local press maintained.

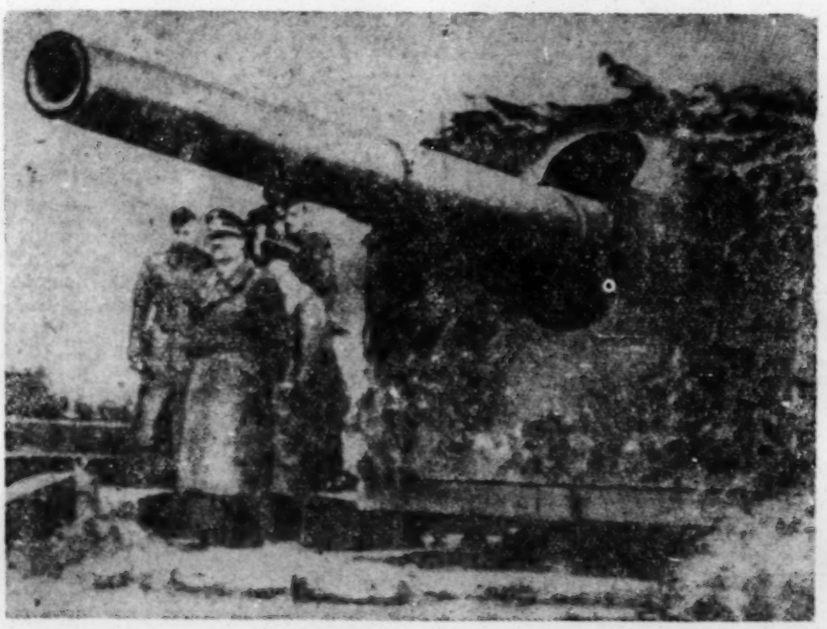
Settlement authorities, in a public statement, called attention to the fact that Settlement crime fell to 2,009 cases in February, a decrease of 408 cases in comparison with January. Twenty-one firearms and a quantity of ammunition were seized and more than 100 persons were arrested on narcotic charges. Property valued at $687,526 was stolen, while property valued at $279,733 was recovered.

Numerous United States Marine patrols and guards, plus constables of the S.M.C. and members of the Russian Auxiliary Detachment, guarded Chungking banks and other important politically-identified buildings in Shanghai following the bombings.

The local branch of the Bank of China closed down temporarily, pending completion of repairs to damage caused by yesterday's bomb explosion.

In the meantime, reports were current that the Shanghai branches of the Chungking-controlled Bank of China, Central Bank of China, Bank of Communications, and the Farmers' Bank of China would close down.

Adolf Takes a Look Across the Channel



Chicago Daily News

Adolf Hitler gazes across the English Channel under a camouflaged gun on the French coast, says a German censor's description of this picture. The gun was reported brought up from the Maginot Line.

Japan's Partyless Diet Session Ends

Japan's first partyless Diet session ended March 26 after approving, in record time, 87 legislative bills, and 14 budgetary bills introduced by the Government.

The closing ceremony of the 76th session of the Diet was held in the Chamber of the House of Peers with Premier Prince Fumimaro Konoye reading the Imperial Rescript ordering adjournment.

Meanwhile, a head-on collision between Parliamentary opinion and Army and Navy views on the proposed reorganization of the National Service Association loomed on Japan's political horizon.

China Organizes Twin Companies to Undertake Buying in U.S., Collecting of Materials

(Fortune Magazine)

China's supplies of tung oil, tin, and tungsten are being converted into foreign exchange needed to buy American-manufactured products for Nationalist China. These resources are used as securities for American loans which are administered by Universal Trading Corporation and foster noncompetitive trade between the two countries.

In December, 1938, the United States Government issued its first wartime loan to China. Twin organizations, Universal Trading Cor-

K. P. Chen, chief of China's new Foreign Trade Commission, whose idea it was to work out the commercial plan with the United States.

poration in America and Foo Shing Trading Corporation in China, were organized to carry out the provisions of the loan. Universal does the non-military purchasing for the Chinese Government while Foo Shing collects the tung oil and other products that keep Universal's credit alive.

Universal is not a direct part of the Chinese Government but a business firm, all of whose common stock is owned by Chiang Kai-shek's Government. China's Minister of Finance, Dr. H.H. Kung, merely purchases supplies through the firm.

During the first year of its existence, Universal's purchase list was topped by automobiles, with US$4,328,000 spent for trucks, US$87,000 for motorcycles, US$518,000 for mobile repair and machine shops, and more than US$1,000,000 for tires—more than US$6,000,000 all told. Four and a quarter million dollars were spent for oil products, ranging from gasoline to lubricating oil, and another million went into telephones. Radio purchases amounted to US$626,000, iron and steel shapes and specialities, US$1,500,000, while nearly twice that much was spent for aluminum, copper, and other nonferrous metals.

More than US$425,000 went to buy khaki cloth, US$1,175,000 for cotton blankets, and US$725,000 for a wide variety of chemicals, drugs, and surgical instruments. About US$650,000 went into road machinery and construction materials and nearly $200,000 for general machine-shop equipment.

Purchase of war time factories for China is another important part of Universal's plan. Dr. T. P. Hou, graduate of M.I.T. and senior engineer in charge of the chemical division, has already designed eight plants that will manufacture soda, ash, acids, ammonia, and other chemicals in China. These chemicals will become explosives for Chiang Kai-shek's armies as soon as Mr. Hou and his 12 young engineers return home to put the ingredients together.

Purchases Plant In U.S.

Mr. Hou has also purchased a modern reduction and smelting plant in the United States which will be dismantled and shipped to Yunnan's tin districts. The new plant will speed up and modernize tin production.

An old American truck assembly plant has also been purchased by Universal and shipped to China, where it will begin turning out 50 trucks a month sometime in 1941. Kai Suez, automotive engineer from Shanghai, is in charge of this job and has recently designed a truck that will stand up under China's terrible highway conditions. Four models of the truck have already been built and have stood up under New York and Pennsylvania backwood roads tests which approximate highway conditions they will have to endure in China.

Mr. Suez states that the truck engines are designed to burn pure alcohol. Since gasoline costs so much in the loss of foreign exchange, he plans to build small alcohol distilleries at practical intervals along China's principal highways to furnish the trucks with the cheaper fuel.

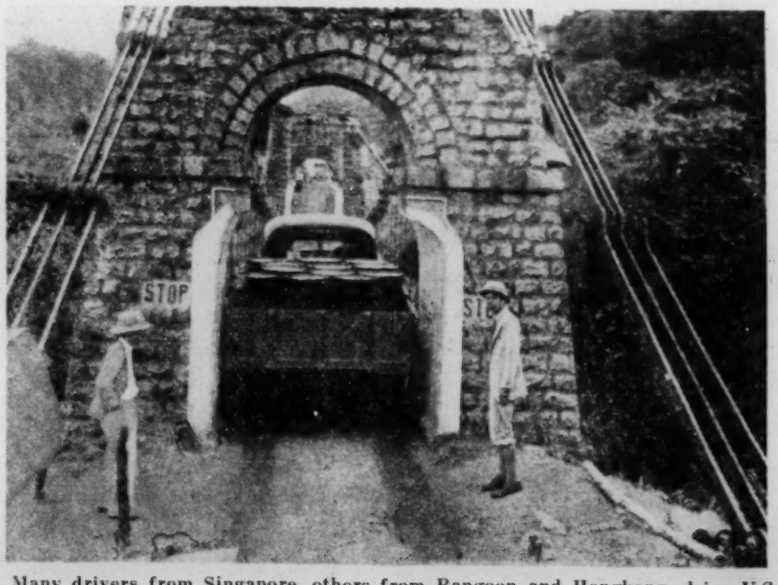
Most of China's new factories are being built underground so that they cannot be bombed. They are also being widely scattered so that they can never fall into Japan's hands en masse, as most of China's coastal industries did.

Foo Shing Trading Corporation, Universal's Chinese twin, has the difficult job of collecting tung oil and other resources. This task was especially difficult after trade collapsed internally immediately after Japanese occupation of China's principal ports and trade outlets. Foo Shing was forced to collect oil direct from the farmer until the commissioned traders, seeing that the company offered a steady market at a fair price, went back into business.

Although Foo Shing hires an immense staff, which, among other things, operates more than 1,000 trucks, costs of collection are not great except in terms of foreign exchange reckoned in such exchange items as gasoline and oil, depreciation on motor carriers, and wear on tires. To lower this cost, one of Foo Shing's first orders with Universal was for pneumatic-tired wheels and axles which were made into carts and trucks. They are man-hauled vehicles, and are used to drag tung oil over the ancient trade-caravan routes and trails to points where motor truck transportation is economical.

In the past two years Foo Shing has collected and delivered to

Stop Signs for Truck Drivers



Many drivers from Singapore, others from Rangoon and Hongkong, drive U.S.-made trucks over the Burma Road. Here is one truck crossing a recently-bombed bridge. Norman Soong of the famous Soong family stands on the left.

Universal more than 41,000,000 pounds of tung oil, worth more than US$8,745,000. Furthermore, 2,210,000 pounds of tin, valued at over US$1,000,000, have been delivered in the last six months. Universal has used this money to pay off nearly US$4,700,000 in interest and principal on US$20,840,000 borrowed on the US$25,000,000 tung oil loan and US$300,000 on the $2,000,000 credit extended so far on the later tin loan. Foo Shing and Universal working together have kept both loans ahead of their amortization schedules.

Two Other Groups

Mr. Chen and his Foreign Trade Commission have two other corporations engaged in foreign commerce. Fu Hua Trading Company deals in silk, sesame-seed oil, hog casings, bristles, hides, and skins, but has done little business with Universal so far. The other organization, China Tea Corporation, is waiting to get from Universal several million dollars for promotion before it tries to crack the United States market.

America's December 1938 loan to China based on tung oil was responsible for the organization of both the Universal and the Foo Shing Trading Corporations. At that time, Mr. K. P. Chen, Chief of China's new Foreign Trade Commission, founder of the Shanghai Commercial and Savings Bank, and an old friend of United States Secretary of Treasury Henry Morgenthau led a Commercial and Financial Mission to Washington. Morgenthau had stressed the fact to Chiang Kai-shek's Government that a political mission could not succeed because a then isolationist congress would not consider a purely political loan.

Mr. Chen and his associates, T.M. Hsi, General Manger of the Central Bank of China, and S.D. Ren, an important industrialist and financier, obtained the 1938 US$25,000,000 loan because Mr. Chen presented a commercial plan mutually beneficial to both China and the United States. China needed foreign exchange to buy American-manufactured goods and American industries needed Chinese wood oil, tin, and tungsten. Tung oil would be made the security for an American loan to finance a Chinese-American company to accelerate natural trade between the two nations. This would at the same time help China build up peacetime industries, and help get Chinese products to market. One-half of the proceeds from every sale of oil would be used to make payments on the principal, while the other half of the proceeds would be used to buy non-military supplies. Because this was sound business China got the loan.

Universal Trading Corporation, organized in New York State, was set up by Mr. Ren at once; and Archie Lochhead, technical assistant to Secretary Morgenthau, resigned his governmental position to become president of the new firm. Mr. Lochead was made president because Universal needed a principal officer to advise the firm in matters of United States business and finance. Mr. Ren became executive vice-president.

Foo Shing was organized at about the same time by Mr. Hsi.

Despite Japanese occupation of China's main railheads, river mouths, ports, and natural trade route terminals, Foo Shing and Universal have delivered the goods. Jesse Jones of the Reconstruction Finance Corporation, always a practical banker, even granted Universal another US$20,000,000 in March, 1940, based on repayment in tin. The American Government, last September also gave China a political loan of US$25,000,000 based on tungsten.

A vast program for the future development of China when peace comes can be seen in Foo Shing and Universal trading corporations. United States and China furnish each other with non-competitive goods and the recent loans merely accelerate a natural trade instead of attempting to start an artificial one. Universal and Foo Shing are the reconstruction agents for the new China, Mr. Chen and his associates all affirm.

Universal's Chief Executives

Archie Lochhead, left, President, and S. D. Ren, Executive Vice-President, who have a US$45,000,000 credit with the United States Government.

Japan Ceases Granting Visas

Japanese authorities have ceased granting European refugees heading for North and South America transit visas for passage through Japan, a *Transocean* dispatch from Stockholm said last week.

Meanwhile, a *Havas* dispatch from Tokyo said local papers had reported that 74 Jewish refugees who arrived recently at Tsuruga from Vladivostok had no passports and were refused the right to land in Japan.

Jewish refugee authorities in Shanghai also recently cabled money to Harbin to free 94 emigrees stranded there without Manchukuoan visas and to enable them to proceed to Shanghai, the *China Press* understood. The Japanese Tourist Bureau in Manchukuo was said to be requiring a deposit of US$50 per person.

Filipino Reservists Called For 10 Days

The Philippines Army last week called 23,000 reservists to the colors for a 10-day period in its greatest mobilization in history. The reservists included four conscript classes from 1937 to 1940.

Meanwhile, Francis B. Sayer, U. S. High Commissioner, announced committees had been formed to plan air raid precautions in co-operation with the Army.

"GERMAN NAZIS NOW CONTROL JAPANESE OFFICIAL MIND"

(International News Service in Sunday Mercury)

HONGKONG—At a press interview Mr. Eugene Chen, former Minister for Foreign Affairs, of the leftist Kuomintang Government in Hankow in 1927, made the following reply to questions suggested by current reports of developments in the war situation in Europe and the Far East, with special reference to Japan's "southward advance".

"The master of Nazi Germany is being coerced, by the inner necessities of the war, to do 'something.' He is lost, it is generally agreed in the non-Nazi world, if England can withstand him until the industrial man-power of America begins, within a few precious months of the coming spring, to cross the Atlantic in the form of bomber and fighter planes, ships and other arms of victory in massive formations and argosies.

May Make Desperate Gamble

"There is wide speculation as to what Herr Hitler will do or can do within the present inexorable limits of German war-power. One thing is certain. Like desperate men when cornered, he and his executant-group —parvenu, 'dynamic,' amoral in character—will do "something even if there be but a bare chance favoring victory. He may, therefore, attempt to reverse that settled decision of more than eight centuries of European history which affirms the soil of England to be inviolate in virtue of her sea-girt position and the material and moral energy of her people. He may try to do what the Norman adventurer did but which Napoleon decided was not feasible, and engage in a direct assault across the Channel. Or he may attack the flank of Britain by a devastating descent on Mr. de Valera's Ireland combined with an undersea and air blitzkrieg on British transport-power in the North Atlantic.

Naxi "Secret Weapon"

"The Nazi 'secret weapon' may be applied in other forms and ways. Herr Hitler may seek to bring about a deadly dispersal of British war-power in the West and in the East in order to capture German superiority in the air, sea and land at the zero hour of the impending invasion of fortressed England. He has learnt the commanding lesson of Dunkirk where the Royal Air Force mastered miraculously, in a limited space and for a limited time, the more powerful Luftwaffe with its multitudinous machines. To consummate this dispersal, he might thrust or feign to thrust at the great rock of Gibraltar, with the complicity of Falangist Spain; or an astonishing military situation might be created in the Balkans, with Bulgarian connivance and weakness on the part of others, which would imperil the entire Greek position in Albania and British sea-mastery in the Eastern Mediterranean. At the moment of writing, all this may not be an intelligent anticipation of sure-coming events. But what is hardly in doubt is that the application of the Nazi "secret weapon" is already beginning to achieve the German-desired dispersal of British war-power in the direction of Southeast Asia.

"The more British airplanes and destroyers are in the region whose security is based on the pivotal center of Singapore, the better is Germany's imperative invasion of Britain forwarded. And the more the British react in extensive military preparations on land, sea and air to the German conception and practice of diplomacy and propaganda as a branch of war, the more effective is the power of the Nazi "secret weapon," which is nothing more than the complete and ruthless application of Ludendorff's thesis of total war to the destruction of British power.

"I see the present phase of the Far Eastern situation as largely a product of the German brain working on the Japanese governing mind. An analysis of the problem posed by the German extension, to this part of Asia, of the war in its aspect as a diplomatic and "nerves" struggle reveals this:

Japan's Policy of Conquest

"First Chinese resistance has strained Japan in the sense that, having planned and prepared for a war of less than twelve-months, she is now in the fourth year of what her militarists contemptuously termed the 'China Incident.' She has not yet been exhausted, but her underestimation of China's will and capacity to resist has involved her in fabulous expenditure and enormous casualties. This and other reasons have enforced on Japan the need of revising the policy of immediate conquest and returning to the policy of conquering China by stages, which the Battle of Shanghai led her temporarily to abandon. For some time Japan has been trying to find a suitable excuse or opportunity to effect that revision of policy and so to scale down her war expenditure by withdrawing troops from the interior and concentrate on the consolidation of the conquest in the occupied areas in the maritime and riverine provinces of China.

"This view does not conform with the strategical conception that Japan cannot advance south whilst her forces are 'bogged' in China. Unlike the invasion of China which has been predominantly a military operation, the advance against Singapore and the Dutch East Indies would predominantly be a naval undertaking; and Japanese seapowêr is intact. I am aware that the foregoing conception serves to support the Chinese case for American-British assistance. But the case can be sustained on other equally compelling reasons.

Nazi Diplomacy

"Second, seizing on Japan's need to alter her strategy of conquest in China, Nazi diplomacy has extended the war to the Far East by assisting Japan, through pressure on Vichy, to wage a bloodless Battle for Indo-China and, at the same time, staging a war of "nerves" which has caused Washington, London, Canberra and Headquarters in Singapore to envisage the positions in Southeast Asia simultaneously with Germany's spring offensive on the English front and, possibly, other fronts in Europe.

"Third, Indo-China is probably destined to become a Japanese possession. Indeed, as pre-Vichy France at one time used to govern it 'indirectly' through the King Cambodia and the Emperor of Annam, so Japan is beginning to rule it 'indirectly' through Admiral Decoux who is being turned into a composite King of Cambodia and Emperor of Annam! There is also a touch of poetic justice in this drama. In 1895 France joined Russia and Germany in humiliating Japan and ejecting her from the Liaotung Peninsula. Japan might now be thinking of 1895.

"As regards Thailand, a sort of 'invisible' Japanese protectorate might eventually be established there should Japan fail in her larger scheme of possessing Singapore and the Dutch East Indies. These British and Dutch possessions are unlikely to be disturbed now or in the future by Japan as long as a British or Allied defeat in Europe is not a reasonable certainty. In any case a Japanese attack in that quarter can be safely ruled out until the German spring offensive exposes the real strength and power of Nazidom. This certitude derives from the truism that no Power, vested with the initative to decide war, will go to war if it is not reasonably assured of victory. Japan is not and cannot be certain of winning in a war with America and Britain unless there be a catastrophic change in the existing force of nations.

A Footnote

"As the evacuation of American nationals is germane to the matter considered here, I wish to add a footnote and suggest that the Currie 'economic' mission might enlarge its scope and study the non-military but vital repercussions of the American exodus. The suspension, probably for many years, of American economic and cultural activities in China or, in conceivable circumstances, the liquidation of many of those activities might have important, perhaps, grave consequences to America whose elimination as a determining factor in the 'Western Pacific' is desired, and to China whose incorporation within an enlarged and self-sufficient Japanese Empire is being carried,—by the same Aggressor-Power.

Philippines Copra Shipped to Germany

The heavy increase in export of Philippines cocoanut oil and copra to Vladivostok, Shanghai and Kobe recently has led authoritative quarters in Manila to believe Germany was receiving the products through Soviet Russia, the *United Press* reported.

Meanwhile, *Reuter* announced that the Commonwealth Government had approved the largest Philippines shipping transaction of the year the sale of the s.s. Atlantic Gulf, 2,000-ton vessel, to Wallem and Company, a British firm in Hongkong, for 500,000 pesor.

THE CENTRAL TRUST OF CHINA

HEAD OFFICE:

CHUNGKING

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TELEGRAPHIC ADDRESS:

5665 CHUNGKING

Matsuoka in "Courtesy Call" on Stalin, Then Proceeds to Berlin to Meet Hitler

Yosuke Matsuoka, Japan's blundering Foreign Minister, this week scored a success epochal for a Japanese—he saw Russia's Josef Stalin. In so doing, he became only the second Japanese diplomat to interview the Russian leader, Fusanosuke Kuhara, an economic envoy, having seen Stalin in 1927. Lieutenant-General Yoshitsugu Tatekawa, Japan's Ambassador to Russia, was dispatched to Moscow last year to talk things over with Russia's No. 1 Man, but he never got a "look in."

Matsuoka's call on Stalin occurred during his 32-hour stopover in Moscow at mid-week, en route to Berlin and Rome, where he will get straightened out on Japan's part in the "Axis line" by Nippon's Fascist pals. Matsuoka reached Berlin March 26 and was expected to remain several days to see Hitler, von Ribbentrop and the rest of the Nazi clique. Then he will entrain for Rome to pay homage to the faltering Mussolini.

The Japanese Foreign Minister's call on Stalin apparently was unproductive of any sort of understanding. This leaves Free China very happy, although few Chinese leaders profess any doubts that Soviet Russia will not remain loyal to Chungking's cause. However, the Vichy-controlled **Havas** news-agency said that "it had been generally believed that political conversations between Soviet Government officials and Mr. Matsuoka would be held only upon the latter's return from Germany and Italy."

Statements by Soviet officials throughout the past months have led most supporters of Free China to believe Russia will conclude no pact with Japan unfavorable to China. Meanwhile, it was generally believed that many strong elements in Japan would never consent to any sort of a strong Russo-Japanese tieup. Matsuoka's visit with Stalin generally was interpreted as it was described by **Domei**, the Japanese news agency—merely a "courtesy call."

Matsuoka saw Stalin in the presence of Mikhail Kalinin, chairman of the Council of People's Commissars, and Viacheslav Molotov, Soviet Foreign Commissar.He also received calls from the German Ambassador, Count Werner von der Schulenburg, and the Italian Ambassador, Augusto Rosso, as well as the Ministers of Hungary, Slovakia, Rumania and Bulgaria, all Axis playmates. **Domei** denied reports he met Mr. Laurence A. Steinhardt, the American Ambassador, or Sir Stafford Cripps, British Ambassador, and that Erik Labonne, the French Ambassador, was present at the Kremlin when Matsuoka saw Russian leaders.

Domei quoted informed Japanese circles as stating that the "mere fact that Matsuoka conferred with Stalin at the Kremlin....would indicate a turning point in relations between Japan and the Soviet Union." **Domei** said further that "interviews with Stalin by important diplomats usually preceded some change." These statements were believed in anti-Axis and pro-Chungking circles to be merely Japanese propaganda, however.

Matsuoka told newsmen the object of his trip to Europe was to meet personally and converse with the Premiers and Foreign Ministers of the Axis powers. This statement, made to Japanese correspondents in Moscow, singularly failed to include Russia. "I have no other aim," Matsuoka was quoted as saying. "Real diplomacy cannot be conducted unless the Foreign Minister of one Allied power does not know the leaders of the other signatories."

Matsuoka met Mussolini in 1933 when he toured Italy as chief Japanese delegate to the Extraordinary Session of the League of Nations convened to study the Manchurian invasion. He has not met Hitler, however.

Submits Analysis Of Voting List

Ranald McDonald, Shanghai attorney, whose lengthy letter regarding Shanghai's International Settlement voting list was printed in the March 1 issue of the **China Weekly Review** last week submitted a further analysis of the situation.

Mr. McDonald's figures showed that a few individuals and firms dominated the administration of the Settlement and that this power on the part of the few had grown immensely in only a few months. He cited a number of legal reasons for the "scandalous practice" of "multiplying or splitting votes."

"Do you not realize,," Mr. McDonald asked, "that the future destinies and control of this Settlement will depend and depend only upon the result of the present war, and that they will be decided by Governments and not by pitiful and degrading devices such as that which has been foisted upon us in the shape of this voting list?

"Do you not also realize that, if this evil scheme is persisted in, it may be used as a most damaging or even deadly precedent against us in the future, and cause even greater ruin and chaos to the Settlement and to British interests in China than that to which the misgovernment of the last 15 to 20 years has already brought us?"

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ECHLIN MANUFACTURING COMPANY .. .. Auto

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THE FOOTE COMPANY INC. .. .. Conc

THE FOSDICK MACHINE TOOL CO. .. .. Radi

THE FRENCH OIL MACHINERY CO. .. .. Oil E

THE GALION IRON WORKS & MFG. CO. .. Road

GILBERT PAPER COMPANY .. .. All

GOULD STORAGE BATTERY CORP. .. .. .. Start

GRUENDLER CRUSHER & PULVERIZER CO. .. Crus

HANCHET MANUFACTURING CO. .. .. .. Grin

HERSEY MANUFACTURING COMPANY .. .. Wate

THE ILLINOIS POWDER MFG. CO. .. .. .. Explo

JOHNSTON PUMP COMPANY .. .. John

THE KENNEDY VALVE MFG. CO. .. .. .. Valve

KISCO BOILER & ENGINEERING CO. .. .. Smal

LAKE SHORE ENGINEERING COMPANY .. Mini

LEHMANN MACHINE COMPANY .. .. Engi

LIMA LOCOMOTIVE WORKS INC. .. .. .. Stea

THE LINN MANUFACTURING CO. .. .. .. Heav

THE MARLIN EXPORT AGENCY .. .. .. Amm

MEILI—BLUMBERG CORPORATION .. .. Tract

MILL & MINE SUPPLY INC. .. .. Mill

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Kansu Co-Operatives Work on Shoe-String Capital, Add Many Materials to Nation's War Wealth

BY GEORGE AYLWIN HOGG

Thirty-five Chinese industrial Co-operatives in southern Kansu last year added to the nation's economic wealth large quantities of woolen and cotton cloth, blankets, sweaters, stockings, fur skins, thick hard leather for shoe soles, soft pliable leather for shoe uppers or leather coats, military belts, pouches and boots, vegetable oil, matches, paper, printed books and pamphlets, timber, bricks, medicinal herbs, tailored goods, flour, and machine turned articles.

Their total loan capital was $187,735, repaid loan capital $63,540!

The number of workers employed in the Co-operatives was around 450, nearly half of whom were refugees from all parts of the country, and the rest natives both Han and Mohammendan (the latter specially in leather and fur industries.)

A paper making Co-op. and a printing Co-op. particularly were real economic bulwarks for the whole region. The former, though handicapped by extremely primitive equipment, supplied newsprint for the local newspaper, wrappers for thousands of matchboxes for the match co-op, a good proportion of the paper used by the printing Co-op. and is constantly invaded by students of all ages for the material with which to make cheap exercise books. Raw material used is the bark of a local shrub (**ko p'i**), the remains of old hemp sandals from the army, wastepaper scraps, and (for quality paper) bamboo imported from the south. When material for making white paper runs short—as, for instance, when the shrub bark becomes tough and leathery in the Fall—a dye is introduced and the local news sheet takes on a sporting pinkish or greenish hue. Chairman of this Co-op. is a skilled paper maker returned from years of training in Japan; it is his wish that some day he may be able to use his technical knowledge to the full in the Co-op., and modernize the present 2,000-year-old process by which paper is still manufactured all through the hinterland.

Printers Kept Busy

The printing Co.-op. owns the only steel printing press available for commercial use in a huge surrounding area, and its services are in constant demand from army and educational authorities for text books, pamphlets, blank forms, public notices, and so on. Theh local C.I.C. depot also relies on the Co-op. for all its cultural and technical publications. A Central Army cavalry school situated in the neighborhood recently placed a single order for $100,000 (Chinese) worth of printed matter. Under these conditions the business side of the Co-op. is flourishing, and buyers are at present in Loyang to purchase large quantities of fresh equipment.

Not only on its business side but also in its co-operation, this unit may be said to be the model Co-op. of the district. Meetings have been well attended, and, judging from the minutes book, members have spoken their minds freely. Two months ago the Co-op. started its own primary school in which the teachers were junior Co-op. members, and pupils were (to date) eighteen bepigtailed local children who would otherwise have no chance of schooling. In the evenings after work hours, the primary school turns into an adult night school, a senior member of the Co-op. takes over the teacher's desk, and the scholars' benches are filled with the Co-op. members joined by twenty or so young peasants. Text books for the night school have so far been a queer mixture of classical stories and C.I.C. pamphlets.

A newcomer to the co-operative community here is the wool spinning Co-op., which from July to the year's end produced and dyed fifteen thousand pounds of woolen yarn, and five thousand sweaters, freighted northwards further into Kansu, south-east to Paoki and Sian (Shensi), south-west to Chengtu and Chungking (Szechuan.) In 1941 this Co-op. plans to produce 100,000 lbs.

Industry Invades China's Northwest

Upper Left—Chinese refugees children, who have become separated from their parents by the Japanese invasions of the coastal provinces, are taught cotton spinning. The mill is operated by waterpower. Lower left—shows Chinese women, operating a sewing "co-op" making garments for the Chinese Army. Right—shows Chinese boys picking wool for the manufacture of blankets, also for the Army.

of woolen yarn. Negotiations already are under way with a machine-making Co-op. further south for wool carding machines (which can be driven by water power); and the same Co-op's. progress in copying the HF. Carding Set which was purchased in London by Madame Chiang Kai-shek and shipped to China by friends of C.I.C., is being closely watched. Chairman of this Co-op. is a man who all his life has been interested in industry, but never before had a chance to practice it. The clean, light and airy workrooms, ingenious lay-out, and laborsaving gadgets abounding, are all witness to his interest in the job.

10,000 Army Blankets

Army blanket making for the 1940-41 season began in this place at the end of October, and ten thousand blankets had been produced on forty looms by the end of the year. A force of about three hundred women and children is engaged in sorting wool, winding and washing yarn, while a further four thousand domestic spinners are producing a daily average of one pound per head of yarn.

South Kansu's Co-operative Supply and Marketing Department opened in 1939, and during the first eleven months of 1941 suplied nearly CN$72,000 worth of raw materials to Co-ops., selling CN$53,175.05 worth of Co-operative products to the public over the same period. Besides supply and sales, the Department gives the Co-ops., further service by arranging mortgages on their products with the banks, so that more running capital shall be available, and by usings its own comparatively well-appointed city building as a business agency for individual Co-ops., thus obtaining contracts for them from buyers who might look askance at the productive capacity of plants placed unpretentiously in peasant homes or deserted temples on the countryside.

Most exciting aspect of C.I.C.'s work in this part of Kansu is perhaps the new life it has brought to a little city some distance away from the main depot—and the new product it has brought thereby to China's wartime industrial capacity. This city had for long been famous for its woolen products; raw material was plentiful, and almost every native household learned to use the spinning wheel, though in districts only thirty miles further south the distaff was still used exclusively. Looms, however, were extremely primitive, and their cloth was narrow and coarse; weaving was a slow, if graceful process, the bobbin being mounted on a reed in the middle of a bow and passed with a flourish through the warp from hand to hand.

In winter 1939-40, C.I.C. introduced the broad loom for blanket weaving, and after the winter's blankets were done native co-operative draftsmen immediately turned their attention to the making of woolen cloth on the new loom. Today, thousands of dollars' worth of tweed, equal in quality to the pre-war Taiyuan-fu product, is being turned out monthly. The co-op carpenter, who is still the only carpenter in the place able to produce the new loom, is flooded with orders. The Bank of China sent up a special man to investigate, and afterwards opened up a special branch bank for the promotion of this industry. Natives of all classes, from the local government to the peasants themselves, are taking personal interest, and peasants have offered their water-wheels to be converted from flour mills to wool-carding plants. Co-op. members themselves, far from holding trade secrets as their skill develops, take pride in their craftsmanship, and invite in the neighbors and other Co-op. members to see the fine quality, the soft nap, the new finish, on their latest bale.

Expenses Low

The expense sheet for the year 1940 of a typical woolen textile Co-op. composed of fourteen persons is given below. During the year this Co-op. produced several thousand army blankets (for which a separate reckoning is made with the C.I.C. Army Blanket Section) and $15,370 worth of woolen cloth. Net profits for 1940 stood at $1,456.02. Equipment of the Co-op. originally cost between eight and nine hundred dollars, while total loan amounted to seven thousand.

Repayments on loan	CN$ 1,500.00
Repayments of loan interest	123.71
Shares paid up	1,587.00
For buying machines	572.60
For buying spinning wheels	347.60
For buying other equipment	160.30
For repairs to buildings ..	87.60
For buying raw materials .	8,852.60
Administrative expenses ..	65.29
Medical attention	41.80
Rent	274.00
Food	2,860.00
Salaries and wages	2,560.00
Heat, light, travelling, etc.	908.34
	19,930.84

Co-operators learned for the first time the power of their jointly organized efforts in building a new economic prosperity for themselves. The first meeting of the Federation, attended by members coming from as much as thirty miles away, lasted for several hours and voted that all Co-ops., should subscribe to start a joint Supply and Marketing Department with a joint Dyeing Plant attached. Five thousand dollars were immediately subscribed, the members undertaking to guarantee liability for a loan twenty times that amount. The meeting further voted that the 1940 Common Good Fund be used to start an Indusco Primary School. The idea for the school was brought up by a Co-op. member and passed by the meeting at the expense of the C.I.C. depot director's own suggestion of a Guest House which would be self-supporting and might bring in a return for the co-ops. The depot director himself, a graduate of the first Training Course for Organizers in Northwest C.I.C., was later converted to the members' idea for a school, and set about canvassing subscriptions for the school from all his friends. A group of refugee school teachers from Japanese-occupied cities in Kiangsu has volunteered to help with the school as soon as it is established.

The development of Co-operative industry in this district bears a marked resemblance to that in Chenping, Honan, where C.I.C. is working to improve quantity and quality of output in one of the chief remaining silk districts in free China. In both places, native craftsmen have shown a strong interest in the development of Co-operative organization. In both places, members have formed the habit of denying themselves all wages above bare cost of living until dividends are declared at the end of the year and the Co-op. is on an assured financial basis. In both places, Co-operatives have combined for joint dyeing facilities with C.I.C. experts as advisers. In both places C.I.C.'s task is by the introduction of new technique to preserve a valuable native industry and enable it to transform itself in the face of modern national needs; to teach the people the industrial democracy of "Work Together;" and to raise standards of living and learning in some of the oldest, and until recently least exposed parts of the country.

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Generalissimo Thanks Roosevelt for Pledge of U.S. Aid to Chinese Republic

While the Tokyo ultra-nationalist *Kokumin* was advocating a Sovietized zone for China's interior, hoping thus to eke out some means for the speedy settlement of the China war, Generalissimo Chiang Kai-shek and other high Chinese officials last week expressed unanimously their deep gratitude for President Roosevelt's pledge to aid China. These officials declared determination, heartened by America's aid, was increasing to attain justice and maintain Democracy.

The Generalissimo's statement of gratitude was contained in his message to President Roosevelt which was released by the American State Department on March 22. Thanking the President for America's goodwill toward China, the Generalissimo said that "the people of China, whether they are engaged in fighting the aggressor or toiling in the fields and workshops in the rear for support of the defenders at the front, will be immeasurably heartened (by President Roosevelt's assurance)."

The people of China, continued the Generalissimo, were greatly impressed by President Roosevelt's "reaffirmation of the will of the American people to assist them (Chinese people) in their struggle for freedom from foreign domination and in resumption of their march toward Democracy and social justice for all."

Dr. Hu Shin, Chinese Ambassador to Washington, in a message published on the 41 anniversary of the Bulletin in Manila, also thanked the United States for "effective assistance and moral encouragement every time when we were at our lowest ebb in fortunes of war or the morale of the people." Recalling the U.S. loans made to China, Dr. Hu added that they were "all done in the interests of the American policy of national defense, but my Government and people are deeply appreciative and grateful for the moral effect on our war of resistance."

Pledging that the Chinese people are doing their best and will continue so doing to deserve the American sympathy, Dr. Hu concluded that "with moral economic assistance and with the international situation changing in China's favor, the Chinese are now as determined as ever before to fight on for years or months until a just and durable peace is obtained."

Much speculations have recently been attached to the pending Chinese general offensive against Japan by different military strategists, Mr. Hubert S. Liang (Liang Shih-shun), Director of Central Chinese Industrial Co-operatives, said that China's offensive would begin if the United States would send guns and technicians to China. Mr. Liang, who is now in New York to work with the United China Relief Organization's US$5,000,000 drive to raise funds for embattled China, further expressed his confidence of the Chinese victory in her war against Japan.

Speaking of the Sino-Japanese undeclared war, another approach for its liquidation was advocated by the Tokyo *Kokumin Shimbun*, reputed to be the mouthpiece of the Japanese Army, when the paper asserted on March 20 that an "independent Sovietized zone in the interior might be considered in the future" in order to prevent post war consternation in the vast interior of China. The move was immediately characterized by a *Shun Pao* editorial on March 21 as another Japanese attempt to settle the so-called "China Incident."

Analyzing the inner motives of the new Japanese attempt, the editorial said that the whole thing is really "too childish." The Japanese intend to use this as a bait to induce Russia to come to their hooks and to conclude an agreement with them, the paper said. They intend to use this honeyed arsenic to seduce the Chinese Communists in order to stir up trouble between them and the

Chinese authorities and thereby to break up the unity of China. Japan now apparently thinks that Rusia and the Chinese Communists are instruments that may be made use of.

In making of the proposal, the Japanese paper, however, is labouring under a serious misapprehension. It believes, erroneously, that China's campaign of resistance is supported only by the Chinese Communist Party, and that Chinese resistance cannot continue without the support of Soviet Russia. Declaring that the new move is sought by the Japanese to accelerate her southward expansion, the *Shun Pao* editorial goes on to say that Japan, consequently, does not mind making use of the so-called settlement of Sino-Japanese hostilities temporarily to preserve the battered China and to make use of the creation of the so-called Soviet zone temporarily to stabilize Russia, so that after she has returned from a victorious southward advance, and has completed the encirclement of both China and Russia she will be able to reach for China or Russia as if they were things already in her pocket. In short, even if Japan should succeed in so arranging matters as to remove all necessity for worry at her rear, this only means temporary suspension and not an abandonment of her northward advance. Concluding, the editorial said that the proposal of the *Kokumin Shimbun* is, however, not practical and has no chance of realization.

Some light, however, were thrown upon the Kuomintang-Communist dispute last week despite the *Kokumin's* vain attempt to utilize this party friction at the advantage of Japan. Dr. H. H. Kung, Minister of Finance, told the *United Press* on March 21 that he believed that the deadlock in relations between Chungking and the Chinese Communists would soon be solved without fear of any open conflict. In the course of interview, Dr. Kung said that "I am confident that an acute crisis will not arise and the present stalemate will be solved," adding that the Communists, because of an unfounded fear, recently had devoted their main energies toward illegally expanding their territory and armies in an endeavor to consolidate their power.

Japanese rumors to the effect that the Supreme Military Council was organizing a large "anti-Communist Army" for the purpose of attacking the Communists were categorically denied by Dr. Kung. Other denials, meanwhile, were also made by well-informed circles at Chunking on March 23 *vis-a-vis* the rumors that Mr. Alexander Panioushkin, the Soviet Ambassador to China, would leave for Moscow shorly with a compromise formula to settle the dispute between the Kuomintang and the Chinese Communist Party.

The First National Agricultural and Afforestation Administrative Conference, which was opened in Chungking on March 12, was reported by *Kuo Min* to have been formally closed on March 18. A total of 102 proposals was adopted by the conference. Among the more important proposals adopted was the three-year program for promotion of agriculture and afforestation.

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1941 Budget Estimate Shows S.M.C. to End Year with Lower Deficit

The Shanghai Municipal Council is in a considerably better financial position this year than last, according to the approved budget for the fiscal year beginning July 1, 1941, and will end the year with an estimated deficit of less than $800,000. This will be accomplished, an S.M.C. report showed, despite enormous increases in administrative costs.

According to the budget, the estimated expenditure of the Council during the next fiscal year is expected to total $80,901,840 and the Council's income, $78,609.740. Although the net estimated deficit is $2,292,100, the Council has voted $1,500,000, as recommended by the Finance Committee, from General Reserve to partly cover this amount.

No provision was made by the Finance Committee as recommended by the Treasurer to offset the estimated deficit as it was believed "that the reconstitution of the Sources of Revenue Sub-Committee under the aegis of the Finance Committee may be productive of sufficient additional revenue during the course of the year with which to achieve the balanced budget for 1941 that was earlier envisaged."

In 1941, the Shanghai Municipal Police is expected to cost the Council $36,842,770, which includes the administrative costs of the Russian Auxiliary Detachment recently transferred to the S.M.P. from the Shanghai Volunteer Corps, jail and specials.

The appropriation for the S.M.P. shows an increase of nearly $20,000,000 over the figures for 1940, the latter being $17,283,880, or a 113 per cent increase.

By far the largest increase in percentage was granted to the Volunteer Corps, whose estimated appropriations for 1941 will total $844,600. This total exceeds the 1940 total by slightly more than $483,000 or shows an increase of 113.4 per cent.

It is pointed out that "recruitment in the Corps has risen considerably in the last 12 months and requires substantial increases in the appropriations for uniform and ammunition."

To the Fire Brigade the budget allots a total of $3,188,430, which represents a 110.36 per cent increase over the figures for 1940. The appropriations for 1940 were $1,515,730.

In the case of the Public Health Department, the budget provides $3,303,590 for 1941, an increase of only 36.33 per cent as compared with 1940. To this amount, it is pointed out, should be added another $707,270, which includes costs for operating the Police Hospital and School Medical Service. This would bring the total increase to 65.52 per cent.

The Public Works Department is estimated to cost the Council $10,157,660, an increase of 99.67 per cent over the figures for 1940. The latter was $5,087,270.

Provisions were also made for a 92.72 per cent appropriation increase to the much-disputed orchestra. According to the budget, the Orchestra will cost the Council $378,540, an increase of $182,120 over the appropriations for 1940.

The budget also makes provisions for the Council's contributions and grants-in-aid to local institutions. This item is estimated to cost the Council $1,133,370, an increase of only 47.60 per cent over the total for 1940.

As compared with the 1940 budget, gross revenue from all sources during the next fiscal year is estimated to show an excess of $37,257,990, or 89 per cent. The increase, it is noted, is principally due to increases in rates and taxes as approved at a recent meeting of ratepayers.

Land Tax alone is expected to net the Council $19,540,000 which is $7,961,250 over the estimate for last year and $7,910,010 more than the actual income for 1940.

General Municipal Rate from foreign residents is expected to bring the Council $22,198.000 and from Chinese residents, $13,539,000. The former total exceeds the 1940 estimate by $11,351,750 and is $10,771,080 more than the actual income for that year, while the latter shows an increase of $6,664,000 over the 1940 estimate and is $6,019,910 more than the actual receipts for last year.

In the case of Special Rate, foreign residents are expected to pay the Council $2,746.000, which is $1,711,000 more than the 1940 estimate and $1,134,940 more than the actual receipts for that year, while Chinese residents are expected to pay in $252,000 which is $127,000 over the estimate for 1940 and $49,7860 more than the actual receipts.

Increased receipts were also expected from such revenue sources as Advertisement Rate, Wharfage Dues, License Fees, Rent of Municipal Properties, and Public and Municipal Undertakings, which are estimated to swell the Council's total income by more than $20,000,000.

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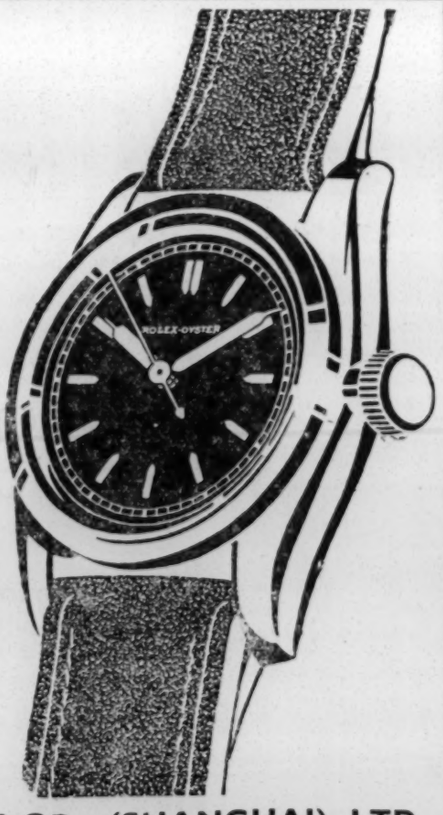

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P.T. Chen Says China's Financial Staying Power Important Factor In Resistance To Japan

P. T. Chen, director of the economic research department of the Central Bank of China and editor-in-chief of the China Quarterly, recently told the Philippines Herold that China's financial staying power was the most important factor in the success of her resistance to Japanese aggression.

"The Sino-Japanese war is being fought more on the financial front than on the battlefields," Mr. Chen asserted, "and it will probably be decided there."

Without the able management of her wartime finance. China would not have been able to hold the enemy at bay,the Chinese official further stated.

Contrary to the expectation of the Japanese strategists, Mr. Chen said that "the tremendous wartime problems and difficulties confronting China's financial front have been so handled that after almost four years of major operations, her national treasury has met all expenditures. the tax burden has not been unduly increased, the loan issue has not been excessive, her credit remains good, and her currency still stands firm."

"This remarkable accomplishment," Mr. Chen explained, "could not have been an accident. It was the fruit of pre-war financial developments." Acsording to him, the real foundation of a sound fiscal system in China was laid between 1933 and 1937.

Under Dr. H. H. Kung, the ministry of finance made persistent efforts to modernize the nation's financial system and to increase productive power. Trade and industry were stimulated, rural economy was overhauled, the tax system was reformed, exorbitant local levies were abolished revenue sources were developed, state expenditures were rationalized, a system of budgetary control was evolved, the banking system was strengthened, and China's credit abroad was bolstered by the settlement of debts in arrears, all these reforms having important bearings on China's wartime financial stability.

Mr. Chen also emphasized that China's financial front was strengthened by the development of a uniform currency system, particularly the currency decree of November 1935, whereby silver was nationalized and the legal tender system instituted.

"This epoch-making reform, rendering possible the smooth transition from a metallic to a fiduciary currency as will as the centralization of the country's currency reserves." he declared, "laid the bulwark of China's financial defense. Without it, China's sustained resistance against Japan's aggression would have been well nigh impossible."

According to Mr. Chen. there are two forms of action on the part of countries at war. A country like Japan, which has limited natural resources, is more likely to adopt reckless measures to finance its military needs, hoping to achieve a "blitzkrieg." A country with rich natural resources, such as China, is inclined to use conservative war financing, in order not to jeopardize its long-term economic recovery following ultimate victory after a protracted conflict.

"Without underestimating the gravity of China's financial problems," Mr. Chen said, "Japan may be expected to reach the end of its financial tether sooner than China."

Speaking of war costs, Mr. Chen stated that China, following the example of Western nations, had had to depend to a large extent on war loans to finance her emergency needs. But, he pointed out. "being essentially an agricultural country where there is comparatively little capital in circulation China has leaned toward the conservative side in issuing bonds. Subscriptions have been entirely on a voluntary basis in China, whereas in Japan subscription to war loans is forced on all banks.

"During the first three and a half years of the war, China issued internal loans totalling about $4,300,000,000 whereas Japan contracted new indebtedness to the tune of about 26,000,000,000 yen, or six times as large as China's. "Besides," he added, "considerable loans and credits have been ex-

tended to China by Great Britain, the United States, Soviet Russia and France, whereas the doors of borrowing in the world's financial capitals are closed to Japan."

Questioned concerning China's currency situation, Mr. Chen pointed out that even before the war there was a shortage of paper currency in China. As a consequence of the hostilities, he said, demands for legal tender have been mounting, due vartly to the urgent requirements by the general public and particularly to the feverish expansion of industrial and economic enterprises in the hinterland. Moreover, provinces which formerly used local notes, such as Szechuen, Sikang, Sinkiang, Kwangsi and Yunnan changed to national currency. Then, too, the national currency circulates not only in Free China but also in the "occupied" areas, in Shanghai and Tientsin and in the regions where Chinese guerillas abound. Where the Japanese control real and the use of legal tender notes is effectively prohibited, they become frozen and thus unavailable for circulation at all.

"In other words," Mr. Chen concluded, "China's wartime note issue, though numerically increased over that of peacetime, has not reached saturation point and cannot be labelled inflation as such."

"Rigid measures of foreign exchange control however, have not been enforced," he explained, "because of Japanese interference in China's commercial and financial centers and because of the existence of extra-territoriality and of foreign settlements and concessions in China. Although the government has been obliged to modify the procedure of exchange operations and to allow downward adjustment of exchange from time to time, according to the needs of the national economy, yet it has persistently adhered to its declared policy of maintaining the national currency.

Moreover, although there have been marked changes in the exchange value of the national currency, the fluctuations were due largely to speculation and the government has continued to make exchange available to legitimate business needs. The existence of the so-called 'black market' is not an uncommon phenomenon in countries subject to foreign exchange control, even in peacetime.

"It is a significant fact," Mr. Chen added, "that throughout the period of hostilities, China has maintained both in the 'occupied' and unoccupied areas an acceptable medium of exchange which has consistently been demanded in preference to the issues the Japanse and their puppets have attempted to circulate at the point of the bayonet, and which has the distinct advantage of free convertibility into foreign currency. The surprise of China's wartime currency management is not that China's currency has been subjected to severe tests but that it has withstood so well the enormous strains imposed upon it."

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U.S. Approves Chinese Plan to Float Bonds For Financing Kunming-Lashio Railway

The United States Government has approved the Chungking Government's plan to float US$10,000,000 in bonds in the U.S. for construction of the Kunming-Lashio Railway, according to the Chungking press, the *United Press* reported last week.

Dr. Lauchlin Currie, President Roosevelt's administrative assistant who was in Chungking recently on an economic mission and who is now in Washington, recommended the floating of the bonds, the Chinese papers asserted.

If the measure would be successful, the Kunming-Lashio railway would be a Chinese-British-American joint enterprise, according to the vernacular press.

The Government, the newspapers further said, has appointed Mr. B. S. Fong, Chinese San Franciso leader, to handle the flotation of the bonds in the United States. Mr. Fong left for Hongkong last night en route to the United States.

The bonds would be placed on the market in America and the funds would be used to obtain American railway materials to build the Kunming-Lashio railroad, even that section of it in British territory between Lashio and the border, because of the difficulty of shipping British railway materials to China, the press stated.

The Chinese Government also has decided to send two American trained railway engineers to the U.S. to act as purchasing agents to buy American railway materials for the construction of the railway, the United Press reported.

Mr. Tu Chen-yuan, head of the Kunming-Lashio Railway Bureau, and Mr. Chen Kai-yuan, purchasing agent of the same bureau, were to leave by clipper from Hongkong Thursday.

Meanwhile, Dr. John Earl Baker chairman of the new Burma Road Commission, is scheduled to leave for Kunming Wednesday and then inspect the entire road by automobile.

Kuo Min reported from Kunming that the Kunming (Yunnanfu)-Wangchiachuang section of the Szechuan-Yunnan Railway was inaugurated and opened to traffic in March. The Wangchiachuang-Chuchin Section of the Railway will be inaugurated on April 1, the news agency said.

Free China has plenty of openings for railroads if it only had the rails, a correspondent of the *North China Daily News* wrote recently. One interesting solution to this problem has developed through the necessity for isolating French Indo-China, under Japanese domination now, from Yunnan province with which it was formerly linked by the French railway line painfully constructed through mountain and jungle.

The Chinese have been serving military and civil necessity alike by pulling up the rails from the Indo-China border. Around the beginning of December more than 90 kilometres of line had been thus removed, states the Christian Science Monitor.

It was believed that extensive damage had been done to bridges and tunnels, so that the Japanese would not find it easy to reconstruct the line in the event that they atempt this well-nigh impossible task (hard enough with nothing but nature to fight, and in this instance probably subject to constant extra harassment by Chinese guerillas). Whtever happens to the immoveable assets of the railway, there will be no waste of the previous rails.

These are being taken up to railhead at Kunming where they are promptly going down on the ties again in connection with new lines to the north and west of the Yunnan capital. One line is toward the Yangtze port of Suifu and it eases the burden of truck traffic between Kunming and Chungking.

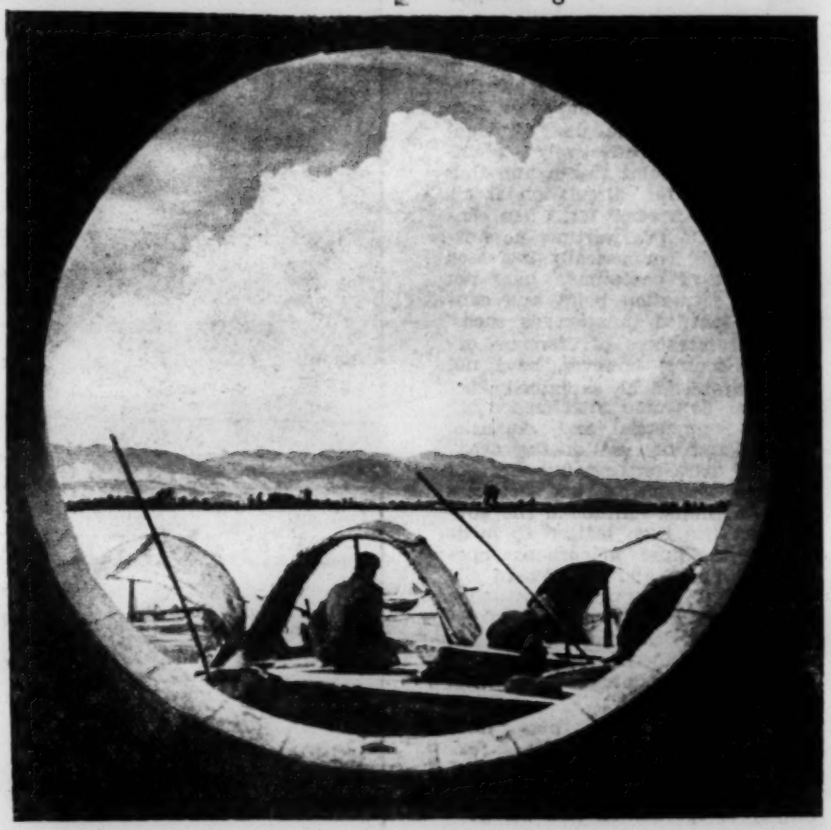
The other is toward Tali on the Burma road and it will cut the amount of truck traffic (and therefore of gasoline consumption) for bringing American, Russian and other goods in from Burma.

It is understood that a major difficulty lies in the fact that the French railway is notable for its curves, and that the rails needed on new lines don't always take the same twists. However, the ingenious Chinese workers have set themselves the task of working out a technique of rail-straightening, and on a basis of past experience it seems safe to assume that this will form no major obstacle.

The French railway track seems all up between the French border station of Laokai and the Chinese Maritime Customs station at Mengtsze. By early spring it is believed that the whole Kunming-Mengtsze portion of the line will have been removed, although presumably it will not be deemed necessary to demolish tunnels and bridges over the upper parts of the road and of course the Chinese would prefer to spare themselves demolition effort now, and reconstruction effort later.

The "secorched earth policy" has dictated much worse sacrifices before this, but seldom (save in the case of factories whose machinery could be removed inland) has it been possible to profit as much as in the present instance.

West Lake — Kunming



Yunnan Province of China's Southwest, also has a famous "West Lake," near the provincial capital, Kunming. While most Chinese citizens are familiar with West Lake at Hangchow, Chekiang, not so many are familiar with West Lake, Yunnan, which is also visited by tourists of the district and now by thousands of people who gone to Yunnan to escape the war situation in the coastal provinces. The picture appeared on the front cover of the American Foreign Service Journal, magazine of the U. S. Foreign Service personnel, published in Washington, D. C.

French Legion Now German

Seventy-five per cent of the officers of the French Foreign Legion in Indo-China are Germans, according to a statement made by a former legionaire who returned to Shanghai March 18 after several months service in Indo-China. He was among the 125 who left here almost a year ago to join the Legion in Indo-China, after allegedly being promised that they would be sent to Europe to fight the Germans.

This group, all from China, was made up mainly of Slavs, German-Jewish refugees and Greeks, he stated. Following their arrival at Haiphong, they were transfered to various points in Indo-China and suffered many hardships. The 53 who returned to Shanghai March 18 were all that remained of the original 125, the rest were either killed, too ill to travel or missing, he declared.

He claimed that the German officers were men who had joined the Legion at various times many years ago and that after the fall of France, they became quite pro Nazi. He cited cases of German privates refusing to obey the orders of officers of other nationalities. In one instance, he stated, a German private threatened to shoot a Polish officer.

From his statements it appeared that when the war in Europe broke out, the numerous nationalities in the Legion came into conflict and that as the European war progressed, Legion discipline slowly disintegrated.

The Foreign Legion did not win a single engagement during their short war with the Siamese, he related. While the French were armed with World War I equipment, the Thailanders had modern arms, most of which seemed to be German, although their air force was composed largly of American planes, he declared.

In reference to the hardships encountered, he stated that on one occasion his company spent two days in the jungle without food or water, with the temperature around 90 degrees. He exhibited several scars on his legs, which he claimed were the result of ant bites, received while in the jungle.

Besides the oppression of their German officers, their pay contract was violated he said. The original agreement called for the payment of 32 piasters per month, but they actually received about eight each month. He compared the purchasing power of a piaster to that of a Shanghai dollar.

Rice Prices Threaten Famine

Soaring rice prices threaten to bring famine to major cities in Asia.

With prices soaring above fixed limits in Shanghai, transactions in the rice market here are carried out secretly in order to avoid police prosecution, the monthly report of the S.M.P. declared.

The rice committee of the Shanghai Municipal Council conferred again this week to discuss the rice situation, which took a decided turn for the worse when quotations were reported to have been suspended. The last prices quoted for Saigon rice were about $120 per zah while the domestic product was being sold at $130 per zah.

Profiteers are hoarding rice in the hope that, in the event of Japan's southward expansion, the price will soar considerably higher than at present. Their belief is based on the supposition that the outbreak of hostilities in the Pacific will disrupt communications between Shanghai and the rest of the world.

Thus, the Shanghai rice situation deteriorated during the month of February and continued to deteriorate in March despite importation of some 430,320 bags of foreign rice.

The "whispering campaign" against Mr. Yu Ya-ching accusing him of profiteering in rice drew forth a public statement from the veteran S.M.C. Councillor and noted philanthropist denying the rumor.

Simultaneous with the publication of the statement came the report later confirmed by an S.M.C. spokesman, that Mr. Yu had taken temporary leave of Shanghai, having sailed on Monday for Hongkong.

His sudden departure from Shanghai is hailed among a section of the Chinese press as an augury of worse days to come in a complicated situation.

Bullitt Praises China's Struggle

Mr. William C. Bullitt, former U. S. Ambassador to France and Soviet Russia, said recently in Washington, the **United Press** reported, that "by holding the Japanese, Generalissimo Chiang Kai-shek's forces are playing a vital role in the defense of all Democracies, including our own,"

Speaking on behalf of the China Relief organization which started a new drive for funds, he said that Japan was still fighting China after three years and eight months and hesitates to attack Britain or the United States and thus fight two wars at once.

Mr. Bullitt said that Gen. Chiang personally predicted to him before the outbreak of the Sino-Japanese war when it would occur and the course it would take, including the defense plan for Szechwan, where the Generalissimo now has his headquarters.

"There he is at China's Valley Forge. He said he would never surrender and never abandon the fight so long as there are Japanese soldiers on Chinese soil," the former ambassador said.

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Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

March 9

The Complete text of Generalissimo Chiang Kai-shek's report before the P.P.C. regarding the Red situation, together with the two sets of Communist demands—political and military—to the P.P.C. as their "sine que non" conditions to participate the meeting, were officially released. The essential provisions of these demands were, according to **Havas Telemondial** from Chungking: that a Joint Political Committee be formed with the participation of representatives of all parties and political organizations. The representative of the Kuomintang would be the Chairman of the committee, while the Communist member would be the Vice-Chairman; that the Communist Army be composed of two army corps, (it is pointed out that the Communists no longer demand the recreation of the suppressed New Fourth Army, but now want the formation of a new army corps); that the legal status of the "frontier Government" (Yenan Government) be recognized by the Chinese Government; that the arms and horses confiscated when the New Fourth Army was suppressed be returned and that the authorities responsible for this confiscation be punished. All these demands were characterized by Generalissimo **Chiang** as "just like the demands served the Kuomintang Government by the Japanese prior to Lukuochiao." The Generalissimo remarked that "there is only one army in China and it is the National Revolutionary Army, or in other words the country's army. No party and no individual can have a private army." In analyzing the Communist demands, the Generalissimo said that the military demands propose that the Government may not discipline troops which defied Government orders otherwise the Government military authorities should be punished, while the losses of mutinying troops should be compensated: the political demands suggest that within the jurisdiction of the National Government Government, a special form of political adhinistration should be recognized and also that the Government may not lawfully check the unlawful activities of certain groups.

Japanese forces landed along southwestern Kwangtung coast on March 3 withdrew **en masse** from the occupied points except Kwanghai. Meanwhile on the Kwangtung coast behind Hongkong from Taiping to Tamshui and Aotow, the Japanese forces were reported to have increased their activity by constructing motor highways and strong defenses between Namtau and Bias Bay, stated the **United Press** quoting the Hongkong **Sunday Herald.**

One squadron of Chinese bombers heavily raided Japanese positions in the vicinity of Ichang, according to official Chungking report quoted by **Reuter.** Twelve Japanese aircraft, meanwhile, bombed a point west of Kunming.

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March 10

Expressing full confidence in the Government's intention to introduce a constitutional government and of Generalissimo Chiang Kai-shek's leaderships of the military resistance, the First Session of the Second Term of the National People's Political Council was formally closed, following a brief ceremony marked by a speech by Gen. Chiang and a manifesto by the Council. Two problems—the relations between the Central Government and the Communists and the question of food supplies and of prices—donminated the debates of the P.P.C. Deep gratitude to Britain, the United States and Russia for their moral and material assistance to China was also expressed during the closing meeting. The Government, meanwhile, was urged to strengthen diplomatic relations with countries in the southern Pacific.

Japan celebrated her Army Day, which is the 36th anniversary of Japan's victory over Russia in the Russo-Japanese war, stated **United Press** from Tokyo.

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March 11

Tokyo announced that Mr. Yosuke Matsuoka, Japanese Foreign Minister, will leave on a visit to the Axis capital tomorrow. The Chungking daily "Ta Kung Pao," stated that there were four motives for Mr. Matsuoka'e forthcoming trip: firstly, to delay a political crisis in Japan; secondly, to appease Germany; thirdly, to test the attitude of Russia; fourthly, to bluff Britain and the United States.

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March 12

The Kuomintang-Communist dispute was said to be disturbing Americans at present, reported **Reuters** from Washington. The **New York Times** editorial revealed that Americans will not give aid to support either side of a Chinese civil war. If China is to saved with our help from the Japanese and Axis control, its embattled leaders will have to forget their divergent doctrinal objectives and settle their present dispute peaceably, the **Times** said. **Reuters** reported from Chungking that Chungking circles are inclined to believe that the importance of the friction has been greatly exaggerated abroad.

The Agricultural Administrative Conference was convened in Chungking with Gen. Chen Chi-tang, Minister of Agriculture and Forestry, on the chair. A mass meeting was also held to celebrate the second anniversary of the establishment of the National Spiritual Movement.

After seven days of fierce fighting, Chinese troops recaptured Lingchwan, in south-eastern Shansi, **Kuo Min** report quoting Chinese military dispatch stated. The Japanese forces were retreating to their old bases in Chengchih, Kaoping and Tsincheng, on the Paikweichan-Tsingchen Highway.

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March 13

Rumors were circulated in Tokyo that Dr. Lauchlin Currie would inform President Roosevelt that Chungking's regime was dictatorial rather than Democratic. Responsible Chungking Government officials regarded the allegations as pure Japanese propaganda and therefore unworthy of denial.

Chungking well-informed quarters, as quoted by **Reuters**, revealed that in the

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interest of national unity, the Chinese Government will not launch a punitive expedition against the Communist forces.

Japanese declared evacuation from the Tungcheng area in the southwestern extremity of Hupeh Province "on their own initiative." It was also recalled that a similiar withdrawal was carried out on March 9 from the Wuning area in theh adjoining Kiangsi Province. Both areas had been occupied by the Japanese for more than a year. Japanese troops on the south bank of the Yangtse opposite Ichang were using smoke screens to cover a "collapsing retreat" since yesterday morning, the Chinese military communique said. The Japanese were said dislodged from several points where 1,000 Japanese were found dead.

Nine Japanese planes bombed Patung, west of Ichang, while 11 Japanese planes attacked Enshih, dropping 20 bombs to destroy a dozen houses and cause slight casualties, the official Chungking announcement reported. **A Reuter** report quoting today's **Central Daily News** said that a squadron of Chinese heavy bombers raided a group of Japanese warships anchored off Yulin, Hainan Island, on March 8.

Since the Outbreak of the Manchurian Affair on September 18, 1931, Japan has invested yen 4,063,887,000 in industrially developing Manchukuo, it was revealed by the Manchuria Affairs Board, **Havas** reported from Tokyo.

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March 14

Six out of 12 Japanese planes raiding Chengtu were shot down by Chinese fighters in aerial combat, Chungking officially announced Four of the Japanese bombers crashed near Chengtu, while two others crashed near Wanhsien. The outskirts of Chengtu were bombed and although Chungking was placed under a four-hour alarm, no planes were seen over the wartime capital. On the other hand, the Japanese reports of the same air battle, claimed that they had damaged a total of 25 Chinese planes.

The recent economic mission to Chungking by Dr. Lauchlin Currie was described by a high American Government official as comparable with the trip to London by Mr. Harry Hopkins, **United Press** reported from Washington.

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March 15

Described by the official **Central News Agency** as the greatest victory since the Taierhchwang and Changsha battles, Chinese forces successfully crushed a Japanese offensive opposite Ichang on the south bank of the Yangtse, inflicting 7,000 casualties, a **United Press** report quoting an official Chungking military communique stated.

Japanese declared extension of their coastal blockade to include Haitan Straits, off the coast of Fukien Province, effective tomorrow. The measure was said to cut off Chinese supply route extending from Haikow, on the east shore of the Haitan Straits, to Foochow by way of Futsing.

The inaugural meeting of the newly-formed Chinese National Press Association was held in Chungking with the presence of many prominent Chinese Government officials and well-known journalists.

Chinese pursuing forces were said to have advanced to the area east of Hwangnikang. Chinese troops operating along the southern bank of the Yangtse River opposite Ichang, in western Hupeh, also recaptured Siangwulung and the hill north of Tientsupo on March 11. The Chinese kept up a hot pursuit of the fleeing Japanese in the Mokishan area, and liquidated the remnants at Takiaopien, and Yunankiao, reported **Kuo Min.**

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Who's Who in China

Hon. Sir Shouson Chow, KT., LL.D., business leader and welfare worker; born at Hongkong, March 13, 1861; graduated from Columbia University, New York, U.S.A., 1881; Unofficial Justice of the Peace, Hongkong; Executive and Legislative Councils, Hongkong;

周壽臣

Hon. Sir Shouson Chow
(Chou Shou-cheng)

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Censorship Rife

During 1940 the editors of 40 publications were cautioned by the Municipal Police for publishing objectionable matter while 13 publications were either permanently suppressed or temporarily suspended from publication for offences of a more serious matter, according to the yearly report of the Shanghai Municipal Council. The report further stated that the police censored a total of 1,448 pictures comprising 420 feature films, 859 short introductory films and 169 newsreels representing approximately 4,369,644 feet of film. Of the films censored, 244 were approved after objectionable parts had been deleted, 45 were not approved, and 12 were withdrawn from censorship at the request of film distributors.

French Bus, Tram Strike Ends

French Concession bus and tram workers returned to their jobs at midweek after a week-long strike after having been granted an increase of $30 for rice allowance and $30 for high cost of living allowance per month.

Men and Events

Kentaro Hayashido has been appointed Councillor of the Japanese Embassy in Nanking.

*

The official German D.N.B. (Deutsche Nachrichten News Bureau) has opened a bureau in Nanking.

*

William P. Hunt, General Manager of William P. Hunt and Company, returned to Shanghai this week from a business trip to Hongkong. He is staying at the Cathay Hotel.

*

Mrs. Chou Fo-hai, wife of the Minister of Finance in the Nanking Government, has gone to Japan for a three weeks visit. Their son, Yu Hai-Chow and daughter, Miss Hui Hai, are students in Tokyo.

*

On March 20 Wendell L. Willkie, Republican Party Head, stated that at the present he had no plans for visiting China. Previously he announced that he had cancelled plans for a trip to China, similiar to his British trip.

*

Lynn W. Meekins, formerly stationed in China, but connected with the Department of State in recent years, has been appointed U. S. Commercial Attache at Pretoria, Union of South Africa. Mr. Meekings is a native of Pennsylvania.

*

K. P. Chen, former Manager of the Shanghai Commercial and Savings Bank, but recently Chairman of the Foreign Trade Commission at Chungking, has resigned. He is now head of the Universal Trading Corporation and is located in Washington, D.C.

*

V. Rogoff, Special correspondent for the Soviet Official **Tass News Agency**, arrived here with Mrs. Rogoff and their son. They are staying at the Park Hotel. Mr. Rogoff came here from Moscow but previously had extensive service in China as correspondent at Hankow and elsewhere. He is in charge of the **Tass** service here.

*

The Harvard Club of Shanghai will hold its next meeting at the American Club Wednesday evening, April 2, when moving pictures portraying the tercentenary celebration of Harvard University will be shown. Since the film shows the many educational celebrities who attended the celebration, a good attendance is expected at the meeting.

*

The Ministry of Agriculture and Afforestation at Chungking issued an order on March 20 to all customs authorities instructing them to prohibit the export of Tung Oil, (wood oil) sapplings. Attempts being made to establish Tung oil forests in Brazil and other foreign countries are regarded as detrimental to the Chinese oil industry.

*

On March 18 it was reported that the Ministry of Education of the Nanking regime had ordered the Shanghai City Government to prohibit publication of obscene literature and indecent pictures. This was supposed to be the opening of a campaign here to prevent the minds of the people from becoming "perverted."

*

Professor Chao Mei Pah, well-known Chinese musician, adressed members of the American University Club at a luncheon meeting held Tuesday, March 25. Professor Chao spoke on the subject "A Brief History of Chinese Music." Miss Lois Woo, Miss Chu Chi, and Miss Cheng Tsin Tse, who are members of his class sang selections from various compositions. They were accompanied by Hans Baer.

Sidney V. Marco, Manager of Bentley's Ltd. Radio Service, departed this week for the U. S. on vacation. He will join Mrs. Marco, who went home several weeks ago.

*

Standard rates for Japanese hotels, ranging from Yen 3.50 to Yen 10 per day have been fixed by the Federation of Hyogo Inn-Keeper's Associations stated a **Havas** report from Tokyo.

*

On March 15 a dispatch from Tokyo stated that the Japanese will face more totalitarian methods soon. The Imperial Rule Assistance Association, which was formed last year, will begin putting the country on a totalitarian basis early in April, continued the report.

*

Colonel Enrico Andreini, well-known in Shanghai where he was commander of the Italian force of Savoy Grenadiers stationed there during 1937-1938, was killedin action in Albania during the early stages of the conflict between Greece and Italy, stated a **Reuter** report from Tokyo.

*

"Death due to natural causes" was the verdict of Coroner Nelson E. Lurton at the inquest held on the late William Burt at the U. S. Consular Court March 18. Dr. J. C. McCracken and Dr. L. Dale testified that they had held a post-mortem examination of the body. Mr. Burt, who was connected with the Shanghai American School and the **China Weekly Review**, died at the Country Hospital on Tuesday, March 11.

*

In a list of Chinese banks, which are stock-holders in the Tai Ping Insurance Company, an article in the March 15 issue of **The China Weekly Review**, listed the Central Bank, in place of the Continental Bank. The error occurred in connection with an article stating the Tai Ping Insurance Company had made a bid to purchase the American Club in Shanghai.

Mexico will import 5,000,000 kilograms of artificial silk from Japan between May and December of this year, stated a Transocean report from Mexico City. H. Miura, Japanese Minister to Mexico, was instrumental in effecting the sale, the report concluded.

*

C. Stanley Smith, member of the faculty of Nanking Theological Seminary, was scheduled to speak on the subject, "Eye Witness Account of Present Free China Conditions" at a dinner meeting of the Sino-Foreign group at the Shanghai Y.M.C.A., number 123, Boulevard Montigny, on Wednesday evening, March 26.

*

The French Government at Vichy has announced its intention of appointing Count Louis de Robin as its new Ambassador to China, according to a **Havas** message from Chungking on March 23. It also was reported that China and Australia will shortly enter into formal diplomatic relations and appoint minisers to their respective capitals.

*

The official Japanese **Domei** News Service reported on March 18 that Hiroshi Yoshida, son of former welfare Minister Sigeru Yoshida, was killed in action in North Manchuria. His ashes were sent to Tokyo March 21 and funeral services held March 23. Considerable interest was aroused by the report as no previous announcement had been issued regarding a battle in North Manchuria.

*

The Chinese passenger steamer Puan, 4,290-ton vessel which was sunk in the Whangpoo at the beginning of the war in 1937 will be refloated, according to a report of the Japan Salvaging Company, which has been awarded the contract for raising it. The ship was sunk by the Chinese authorities to make a boom across the River at Nantao. Report stated that the ship is to be dismantled and sold as scrap.

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H. G. Freeman, Jr., of Tobacco Trading Corporation, dealers in leaf tobacco, departed this week for the United States on furlough.

*

George V. Monk, representative in the Far East of A. C. Monk and Company, tobacco dealers, departed for the United States this week.

*

Claude Sinclair Taylor, former vice-president and General Manager of the Shanghai Power Company, died in London of a heart ailment on March 16 at the age of 55. Prior to his death he was a district Air Raid Warden.

*

The Shanghai Committee of the National Relief Committee in France, after two months of activity, has sent to Marshal Philippe Petain, the French Chief of State, for the use of the National Relief Committee, a sum of 1,000,000 francs, **Havas** announced.

*

Major changes in the control of west coast shipping were expected by ship owners as a result of the appointment of Ernest Bradly as the West Coast coordinator of emergency shipping for the Maritime Commission, stated a **Domei** dispatch from San Francisco of March 15.

*

Sir Rabindranath Tagore's international institute at Santiniketan, India has recived a donation of 750 Pounds sterling from Mr. Tai Chi-tao, president of the Examination Yuan of the Chinese Republic. Part of the donation was earmarked for extension of the Sino-Indian Cultural Society.

*

The annual meeting of the Shanghai auxiliary of the China Bible House, affiliated with the British and Foreign Bible Society and the American Bible Society was held at Union Church Hall, Shanghai, last week. Bishop John Curtis, D. D., was chairman and Bishop John Gowdy of Foochow was principal speaker.

*

A German Language School is to be opened in Shanghai for the purpose of preparing foreign students wishing to study in Germany at a later date and helping others in their studies of certain branches of science, stated a **Transocean** dispatch. Four classes consisting of 120 students will start next fall, and preparatory courses have been scheduled for April 15 to July 15.

*

Chungking's sole fear at present is that Japan may block the gateway of the Burma Road by attacking Singapore, Dr. Lauchlin Currie, President Roosevelt's special envoy to the Chiang Kai-shek regime, who recently returned to the United States from a "fact-finding" trip to China, reported to the President, according to a signed article by Mr. Joseph Alsop and Mr. Robert Kintner published in the New York Herald-Tribune.

*

Carroll Alcott, Shanghai's leading radio newscaster, who reported to listeners last week he had been twice threatened with death in letters from persons claiming to belong to a Fascist group, early this week arrived at station XMHA shortly after a guard shot one Chinese and scared away another. Originally believed to have been waiting to take Alcott's life, the two Chinese later were identified by police as petty thieves attempting to pick the front door lock.

*

The exodus of Chinese universities to west China before the Japanese advance will prove to be one of the greatest epics of history stated the Reverend Ernest Richard Hughes, Reader in Chinese Religon and Philosophy, University of Oxford, lecturing at the Chinese Institute March 14. Continuation of the universities under intolerable war difficulties is a striking characteristic exhibition of Chinese spirit in the 20th century, continued the report.

A Havas report from Calcutta stated that a Chinese Military Mission, composed of 14 members under the leadership of General Shan Chen, arrived there March 22 and immediately proceeded to New Delhi.

*

Premier Prince Fumimaro Konoye on March 20 requested the former leaders of now defunct political parties in Japan to draw up a list of recommendations for a parliamentary reorganization of the National Service Association by March 26, states a **Domei** dispatch from Tokyo.

*

In an address before a meeting of the Joint Committee of the Shanghai Women's Association, Brigadier Bertie Morris announced that the main problem facing the Beggar Camp is the food supply. Even though contributions have been generous, it is difficult to buy food. The camp now houses 1,451 persons, 280 of whom are women.

*

J. R. Reed, engineer with the Automatic Telephone Company of China, departed this week for Honolulu, where he will be stationed in future. Mr. Reed has been an active member of the American Junior Chamber of Commerce and other community organizations and is well known in the commercial communities in the Far East.

*

Robert Lightfoot, former Colonel in the U. S. Marines, was arrested by government agents in connection with a US$60,000 oil swindle. It was reported that he and two associates had induced the Japanese Government to put up U.S.$60,000, and send a chartered tanker to the U. S. on the promise that he would be able to obtain a large amount of oil for shipment to Japan.

*

Colonel A. H. Turnage, former Commanding Officer of the U. S. Marines in North China and of the Marine detachment at the American Embassy, who was scheduled to return to Washington March 25, was honored by numerous dinners and cocktail parties during his six day stay in Shanghai. Also transferred to duty in the U. S. was Lieutenant-Colonel David D. Barrett, former assistant Military Attache to China, who has been assigned to the Arlington, Virginia, Cantonment.

*

Russell Brines, who has been correspondent for the **Associated Press** in Japan for several years, passed through Shanghai this week on the President Jackson, enroute to Manila where he will be stationed in future. He will be succeeded in Tokyo by Max Hill, who arrived in Japan several weeks ago from the New York office. S. S. Musso, correspondent for **Associated Press** in Hongkong, has been transferred to Chungking and will be succeeded in the British Colony by Vaughn F. Meisling, previously stationed in Peiping. His place in Peiping will be taken by J. D. White, who has been home in the United States on leave.

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Very few Japanese women and children now remain in Singapore, according to a report from there, which stated that the last group of evacuees left there March 19 on the Haruna Maru.

*

Tatsuoki Sakamoto, new Japanese Minister to Peru who arrived in Lima recntly, presented his credentials to President Dr. Manuel Prani Ugartecheh March 22, according to a **Domei** dispatch.

*

Hard hit by the lack of foreign ships passing through Kobe, about 600 peddlers and merchants who operated along the waterfront, are now seeking new means of earning a livelihood. Some of the former peddlers have been employed in war-time industries.

*

Lieutenant-General Norton who has been acting novernor of Hongkong for the the past seven months, left Hongkong for England March 21. He had been serving as Acting Governor during the absence of Sir Geoffry Northcote, who recently returned to Hongkong from leave in England.

*

Leopold Stokowski, famous orchestra conductor, may visit Japan leading a symphony orchestra consisting of American youths between ages of 16 and 25, if certain difficulties can be overcome. Chief reason for not extending an invitation is the exchange conrtol law, which prevents taking money from Japan.

*

U. S. Ambassador Johnson will leave Chungking for America in May with two staff members, stated a **Transocean** dispatch from Chungking. Mr. Clarence E. Gauss,, retiring U. S. Minister to Australia and Mr. Johnson's successor as Ambassador to Chungking, arrived in Honolulu on his way home March 19, it was learned.

M. Vegh, new Hungarian Minister to Japan, will leave Budapest March 23 for Tokyo via Portugal, stated a **Havas** report from Budapest.

*

Twelve persons were killed and 138 injured in 612 accidents occurring in the Settlement during February, according to an S.M.P. report. Property damage only occurred in 452 of the accidents.

*

Miss Bette Richardson, well known American photographer in Shanghai, has resigned from Lacks Photos and is now connected with Associated Photographers, 346 Szechuen Road.

*

The branch of Jardine, Matheson and Company, leading British import and export and shipping firm, located at Kobe, Japan for many years, will be closed on March 31, according to **Domei.**

*

The number of Chinese refugees in the International Settlement in February totalled 11,696 with 1,436 beggars in the Salvation Army Camp and the rest living in other camps, according to the S.M.P. monthly report issued March 18.

*

A dispatch from Vatican City, Rome, on March 25 stated that Gen. Chiang Kai-shek will shortly send a special diplomatic representative to the Holy See. It was claimed that the move also had been recommended by Catholic interests in the United States.

*

The Ministry of Finance has sent a circular telegram to the various provincial Governments instructing them to prohibit the exportation of old copper coins, under penalty of having them confiscated, according to a **Kuo Min News Agency** report from Chungking.

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New Books of Interest in the Far East

'British Relations with China: 1931-1939"

INSTITUTE OF PACIFIC RELATIONS INQUIRY SERIES, 1940.— Irving S. Friedman; Kelly & Walsh, Shanghai.

This comprehensive and detailed monograph, dealing with the most turbulent period of history of Sino-British relations, is a valuable addition to a series of studies along the same line recently undertaken by the Institute of Pacific Relations. "Shanghai and Tientsin" by F. C. Jones was the latest publication of the Institute reviewed in these columns, and it is the privilege of the reviewer now to point to another study of the vexed problem of Foreign Relations with China, treated in a different light, but with objectivity and impartiality characteristic to all the Institute's publications.

"British Relations with China: 1931-39" is a serious indictment of Britain's "appeasement" policy in respect of Japan's policy of conquest in the Far East. It is perhaps the most serious accusation of Political "blindness, hypocrisy and egotism" to appear in written form since the publication of Henry L. Stimson's. "The Far-Eastern Crisis" in 1936 and is a thoroughly perscasive piece of work, well-founded and well-explained.

By sub-dividing the whole period of study into eight stages, the author describes, by drawing extensively upon facts and figures, the process of development of British relations with China as it went from the policy of indifference and non-interference at the time of Manchurian invasion by Japan to the attitude of "friendly neutrality" on the eve of the outbreak of European War. The extent of Britain's loss of material and moral prestige through her policy of "neutrality, impartiality and diplomatic friendliness to both sides is clearly seen through comparison of her economic interests in China prior and after the outbreak of the Sino-Japanese War. The whole book is written in the language of facts and figures, and it forms its main attraction. The author achieves the effect of utmost lucidity and persuasiveness of exposition of his subject without indulging in propaganda and excessive verbosity, and this rare quality of his work makes it valuable both as a comprehensive piece of history and an examplary work on political science.

Beginning with the Foreword written by Edward C. Carter, Secretary of the Institute and the author's Introduction, the book, consisting of 250 pages, is divided into II chapters under the following heading:—I) Introdction 2) The Manchurian Crisis 1931-33, 3) From 1933 to the Leith-Ross Mission 4) From the Leith-Ross Mission to Lukouchiao 5) From Lukouchiao to the Brussels Conference 6) From Shanghai to Nanking 7) From Nanking to the Invasion of South China -I 8) From Nanking to the Invasion of South China -II 9) From Canton to the November Notes 10) From the November Notes to the European War and II) Recapitulation and Conclusion.

3 Appendices A- Leith-Ross Statement of June 23, 1936 B- British Note of January 14, 1939 and C- Announcement of March 8, 1939, on the Creation of an Exchange Equalization Fund for China. There is a comprehensive Bibliographical Index attached to the book, which is worthy of attention of any serious student of Far Easter nproblems and indispensable as a work of reference for this particular period.

A. G.

Adventure in the Raw

ASIAN ODYSSEY. — By Dmitri Alioshin; Henry Holt & Co., New York City; 322 pages, 8 photographs; price, U.S.$3.

For those who like adventure in the raw—without undue pondering over such a minor aspect as its veracity,—this book should have considerable appeal. And for all we know it may be accurate in all details.

It tells of the author's adventures in Siberia, Manchuria, Mongolia and parts of China during the period of the Russian revolution when he was either a refugee or in the camp of Baron von Ungern-Sternberg. Many stories have been told of the "Mad Baron" of Urga, and this adds considerably to the record from first hand observation.

Among the Baron's more charming characteristics was putting all former Russian military men at the bottom of the caste in his camp—because he had once been expelled from the Imperial Army. These ex-officers had nothing to

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lose but their rags and their lives and nothing to gain if the Baron won, and so they "fought like devils," according to Alioshin. This, presumably, is good Russian logic.

Here is Alioshin's picture of the Baron: "He was tall and slim, with the lean white face of an ascetic. His watery eyes were steady and piercing. He possessed a dangerous power of reading people's thoughts. A firm will and unshakable determination were in those eyes to such an extent that they suggested ominous insanity. I felt a cold shiver run up my back when I saw them. He had unusually long hands and an abnormally small head resting on a pair of large shoulders. His broad forehead bore a terrible sword cut which pulsed with red veins. His white lips were closed tightly and long blond whiskers hung in disorder over his narrow chin. One eye was a little above the other. He was dressed in dirty papaha, a short Chinese silk jacket of cherry-red color, blue military breeches and high Buriat riding boots. In his right hand he held his famous bamboo whip; otherwise he was unarmed."

At this time, the Baron was making an inspection of recruits—refugees of all kind who had fled from the Bolsheviks. He put them all in three divisions, according to Alioshin. The non-Semitic able-bodied were told: "To the army" or "Back to the cattle," while those with physical defects and all Jews heard the simple, classic Russian order: "Liquidate." Hundreds, says Alioshin, were liquidated at every one of the Baron's inspections. Since, however, the Baron believed in Buddhist reincarnation, "he firmly believed that in killing the feeble people he only did them good, as they would be stronger beings in their next life." Presumably, the Jews wou'd be reincarnated as blond Slavs. The Baron believed he was the reincarnated Tsagan Burkhan, or God of War, and "in his unbalanced mind he became convinced that he was the world's salvation." Alioshin concludes that the Barons's "historic mission consisted in killing the White movement in Russia and in adding to the Soviet empire the new territory of Outer Mongolia."

This appears to be sound enough as far as it goes, but it could be said further that the measure of all the anti-Bolshevik forces in Russia was in the leaders they produced—including not only the Baron, but such others as Wrangel, Semenov and Kerensky. In other words, the best measure of all the Russias of the time was the Bolsheviks—just as we can say that the best measure of current Germany is the Nazis.

An interesting if not profound item of information provided by Alioshin is the origin of the name Beef a la Strogonov—which is certainly one of the greatest Muscovite contributions to civilization. Back at the time of John the Terrible there was a rich and powerful family of merchants named Strogonov. In early Far Eastern warfare one was neatly chopped into stringy bits by Orientals—hence Beef a la Strogonov.

W. B.

Japanese Counter "Freezing" Order

The Ministry of Finance last week moved to meet the growing number of cases of "freezing" Japanese assets overseas as a result of the war by promulgating at ordinance requesting monthly reports of Japanese interests represented in such cases, Domei reported. The announcement of the ordinance was made by Vice-Minister of Finance Toyosaku Hirose.

The reports will be required on funds tied up overseas, except in China and Manchoukuo, such as securities and their proceeds, real estate, and other investments which cannot be liquidated or the proceeds of which cannot be sent to Japan, as well as proceeds from exports or goods which have been paid for but which cannot be shipped.

The Government may attempt to have such assets abroad exchanged for material through diplomatic negotiations in order to prevent total loss, and may also take steps to indemnify losses, it was reported.

The yen hereafter will be the sole monetary unit used by the Shanghai Japanese Residents' Corporation, the Shanghai Mainchi reported.

Meanwhile, in Nanking Wang Ching-wei denounced Chungking as sponsoring an inflationist currency and said that the suffering of the Chinese people through three years warfare was rewarded by a drop in currency rendering Chungking's money "waste paper in the hands of the people."

Wang said the Sino-Japanese basic treaty was a "beacon of light seen by an ocean navigator" and declared that, "should we continue our untiring advance, we shall be sure of attaining, through the guidance of this beacon of light, a goal of permanent peace."

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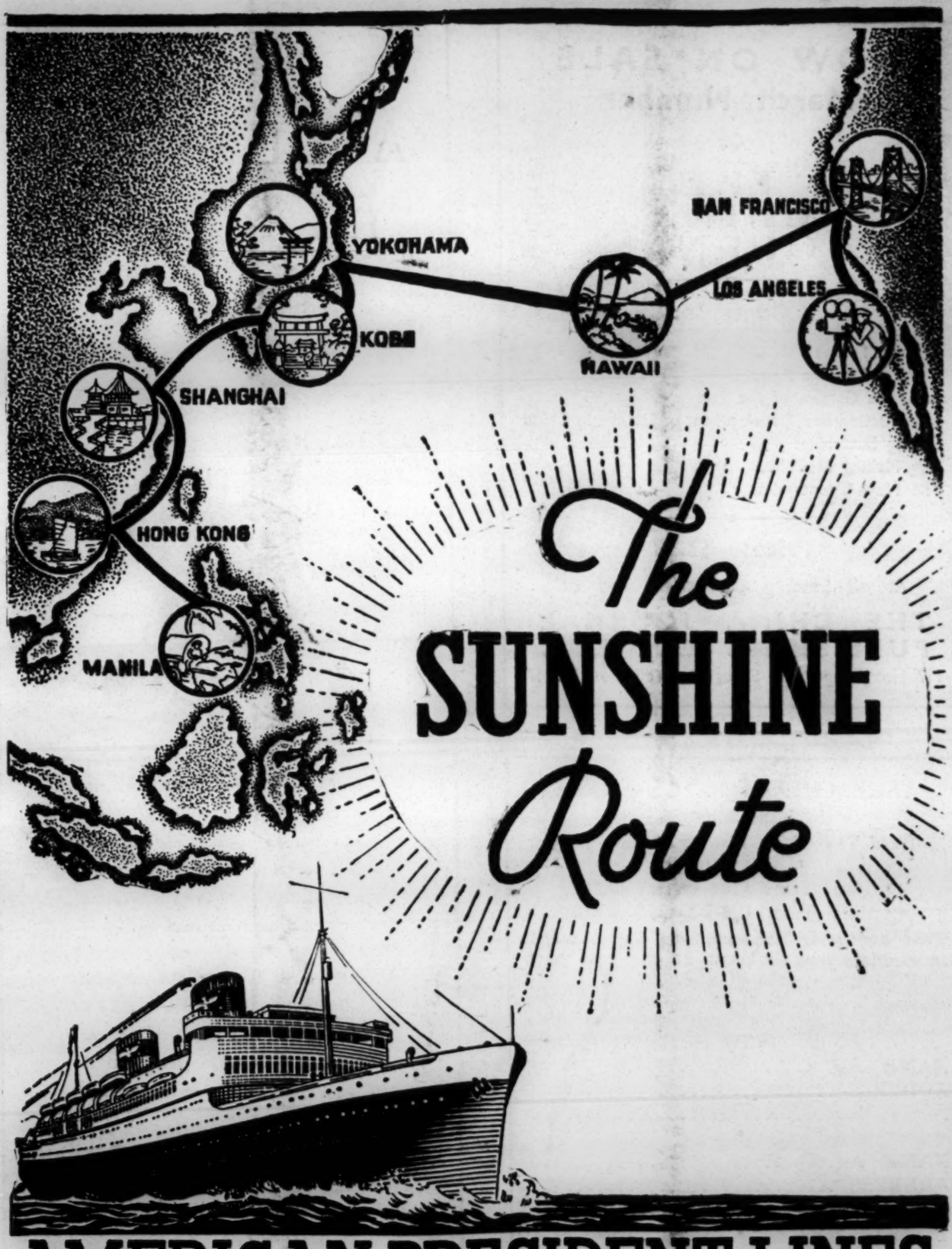

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